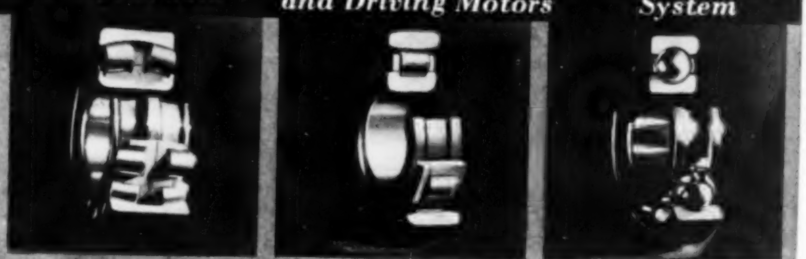
U.S.A.-U.S.S.R.—Maxim Litvinoff is to continue in Washington the sales talk he began in London.

HIGH SPEED

Union Pacific Articulated Train

SKF BEARINGS



ONE hundred and ten miles an hour... impelled by a mere 500 horse power ...but riding smoothly, safely, certainly on SKF Bearings, Union Pacific's new articulated train, now under construction by the Pullman Car & Manufacturing Corporation, once again awakens the pioneering spirit of a famous pioneering road.

Its design dictated by the newest principles of reduced air resistance...its light weight the result of a crying need for economy...its power plant a mere pigmy compared with that of the ordinary locomotive...the new Union Pacific train promises to write an entirely new chapter in the colorful history of railroading.

SKF Bearings were selected for this new train for use in journals, in generators and driving motor and in the new ventilating system. For the engineers, like every other group of engineers throughout the world who sponsor a new product, refused to take a chance on bearings. They knew, as all the world of railroading knows, that only SKF Bearings have ever demonstrated their ability to stand up under the rigors of railroad service for more than a million miles... without adjustment... without showing wear...without attention of any kind except for lubrication twice a year. In railroading, as in no other industry in the world, "Performance Is The Thing That Counts." SKF Industries, Inc., 40 East 34th Street, New York, N. Y.

UNION PACIFIC PIONEERS AGAIN

First in 1869 ... now in 1933 ... two outstanding achievements in American railroading to the credit of Union Pacific

BUSINESS WEEK (with which is combined The Magazine of Business) November 4, 1933, No. 218. Published weekly by McGraw-Hill Publishing Company, Inc., 330 West 42nd Street, New York, N. Y. James H. McGraw, Chairman of the Board; Malcolm Muir, President; James H. McGraw, Jr., Vice-President & Treasurer; B. R. Putnam Secretary, $5.00 per year, in U.S.A. and possessions; $7.50 per year in all foreign countries. 20c. per copy. Entered as second-class matter February 15, 1930, at the Post Office at New York, N. Y., under the act of March 3, 1879. Printed in U.S.A.

Printed by The Schweinler Press, N. Y.

This Business Week

ANOTHER "forgotten man" bobs up disconcertingly—the farmer who had grown no wheat for 2 years and therefore was ineligible to sign up for a bonus to reduce his acreage. So he has planted winter wheat, so much of it that apparently there will be no total acreage reduction at all, or not over 1% instead of the 15% on which the AAA program depends.

PRESIDENT ROOSEVELT'S illustration that the cotton processing tax adds only 4½c to the cost of a shirt didn't sit very well with the textile manufacturers, the shirt makers, or the retailers because it left a little the inference that this was the only increase in costs. A trade expert recently pointed out that 12 codes affect costs of a silk dress. Shirts, though simpler, are touched by several codes.

UNCLE SAM is getting fussily insistent upon goods of domestic manufacture. The government was in the market recently for 50,000 letter-openers (for NRA, PWA, AAA, which certainly do draw mail). The successful bidder was bound to deliver an article identical with the sample. When the first 25,000 arrived, they were found to be stamped "Made in Germany." But so was the sample, it turned out. Nobody had noticed. Great chagrin. But Providence sees to it that poetic justice is done—now and then. The successful bidder was a Jew.

SOFT drink men used to say that when beer came back, it wouldn't hurt their sales. Most people thought they were whistling in the dark. So it seemed, when beer was new. But now soft drink sales are picking up. The answers, so it is said, are first, the great multiplication of outlets, for every place that sells beer carries soft drinks, too, and second, the ladies. Yes, we've heard about the Mae West vogue, but the ladies still think beer will make them fat, and order ginger ale.

'TIS an ill wind—or words to that effect. The National Standard Parts Association met in Chicago, remarked that people had been buying a lot of parts from them. Couldn't afford new cars.

PROF. PARKER WILLIS of Columbia University, one-time secretary to the Federal Reserve, recently made quite a speech in Chicago. Overproduction is a fallacy, he said. Don't worry about it. The thing to concentrate upon is proper distribution of products to consumers. His audience wondered just how this applied—it had never hoped to make more than one sale to each consumer, anyway, never had a complaint from a user, had no repossession or second-hand problem. But the Casket Manufacturers of America agreed it was a good speech.

MAXIM LITVINOV enjoyed the distinction, and enjoyed is probably the word, of being the only delegate who left the London conference with any considerable personal accomplishment. He is the Soviet leader who knows best how to act in the bourgeois world. Circumstances under which he left the Trotzky forces smacked a little of opportunism, but that is not ordinarily considered a serious disqualification for diplomacy.

IT'S election season in Britain, too, and for the first time, London Stock Exchange is getting prim about election betting. The favorite gamble has been to trade in guesses on the parties as if they were stocks. For example, if Jones thinks the Tories will get 400 seats in Parliament, he "buys" Tories at 400. After the election, he "sells" Tories back to the broker—at 450, 350, or whatever is the outcome. A point usually is a pound, but may be as little as a shilling. By a change in the rules, all this is now forbidden on 'Change.

NRA has picked up an anonymous gag man. Writing about the Band Instrument Manufacturing Industry's code hearing, he referred to the obvious harmony, which marched the meeting through in quick-step time.

WHICH leads up to a fairly important point. The Administration needs a sloganeer. Some battle cries would help it put across ideas. Things that stick, like the other Roosevelt's "muckraker." John Kiernan is supposed to have invented the phrase "brain trust."

WE are accustomed to think that this is the only country in which men start in poverty and acquire vast riches. But sometimes it happens in old, stratified countries like England. Joe Rank of the port of Hull as a young man bought an old-fashioned windmill for grinding corn into flour. Today he is the second richest man in Great Britain, is just now issuing to the public $35 millions in stock of his company which has been a private concern. He lives in a cheap villa in his native town, gives millions to the Methodist church.

The Business Outlook

Administration efforts to lift the price level by bidding up the price of gold found domestic quarters too cramped for effective operations. Invasion of foreign markets has naturally disturbed Paris. London is skeptical, but is reserving judgment. . . . After the first shot, the response of domestic commodity and stock markets to the inflationary program turned negative. . . . It is much too soon, however, to decide what eventual results will be. . . . Uncertainty born of bewilderment pervades the business atmosphere. . . . Criticism of the recovery program is swelling. Achievements are being minimized; inconveniences magnified. Improved third quarter earnings are overlooked. . . . Strike settlements are increasing. . . . Even Ford is unbending. . . . The government's victory on rail prices is a bit hollow, seemingly inconsistent with the broad efforts to lift the price level. But steel is in urgent need of orders. . . . Chief difficulty is that neither rail nor public projects will develop fast enough to sustain the production rate. . . . Coal and electric power production are rising again, but very moderately. . . . Construction contracts continue to expand through public works. . . . Carloadings are receding from the year's peak, after a notable recovery from dreary March levels already forgotten by the budding hosts of critics.

NRA MEMBER U.S. WE DO OUR PART

BUSINESS WEEK

NOVEMBER 4, 1933

We Buy Gold Abroad

Our invasion of world gold markets may bring stability and peace, or lead to a gold war. It all depends on tactics.

THE United States government has entered international markets as an active competitor for the gold supply of the world. The potentialities of the situation are almost unlimited. Our trading may result merely in the injection of a new element in the market tending toward day-to-day stability, the gradual enhancement of gold to the depreciation of the dollar and eventual gold parity for all the principal currencies. On the contrary, it may lead to a gold war, the outcome of which would be unpredictable.

A preliminary skirmish occurred as we prepared to make our first bid when foreign buyers suddenly turned aggressive. A premium of approximately $1 an ounce over the world price which we had been permitted to maintain was quickly reduced to 7¢ plus shipping costs.

Everything that happened prior to our entry into world markets showed a forceful, if not an arbitrary, attitude on the part of the Administration. The President's announcement of the gold trading plan said in unmistakable terms that it was proposed to take the determination of the gold value of the dollar out of the hands of foreigners and so far as possible to remove it from foreign influences. Bankers assumed this to mean that our campaign would be at least aggressive.

A Wrong Start

There is every evidence that, when the time came to determine the price we would bid for gold, to decide upon how we would meet foreign opposition and to set up machinery for carrying out our plans, a decidedly sobering influence entered the picture. The Administration seems to have been impressed with the fact that England, France, and other countries influential in exchange markets will not leave us alone to determine the world price of gold and, inferentially, the domestic value of other currencies. The hazards and imponderable factors involved were recognized and the Bank of England was consulted with a view to its acting as the trading agent of the Federal Reserve Bank of New York, which, in turn, would represent this country.

What such tendencies indicate it is impossible to determine. The President has shown a rather amazing inclination to turn sharply to the right or the left to take advantage of the most expedient means to an end. Indications are that his will be no middle-of-the-road attitude. Either he will be conciliatory and cooperative in his attitude toward the fiscal policies of other countries out of respect for the weapons they might use, such as freezing all gold markets, or he will play a lone hand somewhat belligerently, confident that our gold supply and our comparative self-sufficiency will outweigh the combined forces brought against us.

First Effort Inadequate

Our first week's experience at trying to regulate commodity prices and gold values through the purchase of newly minted gold alone proved little beyond the fact that, of itself, the scheme was inadequate. Our first quotation on new gold was fixed Oct. 25 at $31.36. During the ensuing week the price increased gradually by approximately $1. In all of that time our price was above the world price but apparently bore no relation to it. On some days the dollar advanced and on others it declined on foreign markets, regardless of our own advancing quotations.

Mr. Roosevelt's effort to depreciate the dollar brought it but a scant fraction below the figure established Sept. 20, when we were buying gold for shipment abroad at world prices as a protection to gold mining interests. How far markets may go askew under such an arrangement and how intangible are the results of our previous efforts is indicated by the fact that on Oct. 28 the dollar on the basis of our own gold parity was more than 2½¢ cheaper than it was in world markets in comparison with the franc.

Bankers Happier

The situation at midweek was such as to give considerable reassurance to those whose fear of a commodity dollar was largely responsible for the nervous state of business opinion during the last fortnight. The President's disinclination to cross any bridge until he gets both feet on it makes forecasting a hazardous business, but bankers in the last few days have come to believe that he may contemplate a system for managing currency sufficient to his purposes without resorting to Professor Warren's rubber dollar. This might be accomplished by the usual regulation of currency and credit through the Federal Reserve System, plus operations in the gold market.

Some of the most advanced thinking on managed currency has come out of Sweden, and yet Sweden would seem to have come closer than most countries to the satisfactory management of its currency without resort to the so-called rubber dollar. In fact, the policy to which we are now definitely committed is almost identical with that adopted by Sweden.

How Sweden Did It

Since the autumn of 1931, Sweden has kept her currency closely parallel to the pound, and at the same time has added approximately 400 million kroner to her gold reserve account. The relative size of this accretion is indicated by the fact that the total export trade of the country is but a billion kroner a year. In the process of this manipulation the Swedish price level was maintained, while the world price was declining rapidly.

There is nothing yet to indicate whether our early overtures to England are gestures of courtesy or genuine efforts to avoid unpredictable conflict. Market quotations, however, suggest that it might be extremely difficult to find a common basis upon which the 2 countries could cooperate to promote such plans as President Roosevelt has avowed for this country.

What Will England Do?

If the price we have been announcing for gold were the controlling price in the world market, and apparently Mr. Roosevelt hopes to make it so, the pound sterling would have been well above par by comparison with the dollar, and lately would have been close to the $5 mark. England left the gold standard primarily because she believed she could depreciate her own currency to her advantage in export markets without materially increasing domestic prices. Thus far the plan has worked. But it is difficult to picture the British Board of Trade and the Bank of England cooperating in a scheme to hold the pound well above par in relation to the dollar.

For some days commodity markets reacted to the new scheme precisely as the Administration wished. Later uncertainties were observed and weaknesses

developed, but the net result thus far is still favorable to the Administration.

The irrational movements of the dollar in various centers indicate that more than a few days of experience under the new gold trading plan will be necessary to determine either its effectiveness in advancing commodity prices and depreciating the dollar or its influence on prices and policies abroad. The most that can be said for it is that it is but a logical manifestation of central banking policy and that without it no credit control plan can succeed.

London Apprehensive

British experts foresaw how our policy must develop, but aren't enthusiastic.

LONDON (*Cable*)—Britain is still baffled over the significance of the United States gold policy, but reaction in responsible quarters in London can be summarized tersely.

President Roosevelt's decision to enter the world gold market caused little surprise since most of the financial public has been expecting it ever since his first announcement that the United States would begin to buy through the Treasury and the Federal Reserve banks gold mined domestically.

It is expected that gold purchases by the United States in the world market will drive the French franc, as well as the few remaining gold currencies, off the gold standard.

At that point, unless there is sor.e international agreement to negotiate a general price range within which gold will be bought and sold, currencies will run wild. London believes that Washington will negotiate promptly rather than let this occur. Ultimately this will lead to stabilization with concurrent tariff and quota agreements designed to smooth out shifting currency values caused by the shifting trade position.

London Expects Inflation

London believes that dollar inflation has become inevitable. The NRA has failed to keep up with promised accomplishments; huge public expenditures have been made or planned; higher prices are the key to the entire Roosevelt program; the new open market gold scheme will not achieve the desired result: this is the trend of British reasoning. Rumors that Washington and London have reached an agreement on stabilization are wholly discredited in London. In fact, the Bank of England and the British Treasury are not in accord on future policy and the special British war debt negotiators in Washington have not been instructed since the present policy was adopted.

The British, viewing the present gold policy and fully expecting outright inflation in the United States, anticipate a price rise in Wall Street and among the commodities, and another rush of "bad" money from both Paris and New York.

Britain's Exchange Equalization Fund, idle for some time now, will be put to use again to keep the pound from rising beyond its old parity value of about $4.86. Experts think the attempt is doomed to failure, and anticipate that fear for the French franc and dread of inflation in the United States will create such a demand for sterling that it may rise as high as $6.

Immediate judgment among the larger group in the City is withheld until it is revealed how far Roosevelt is prepared to go in buying gold.

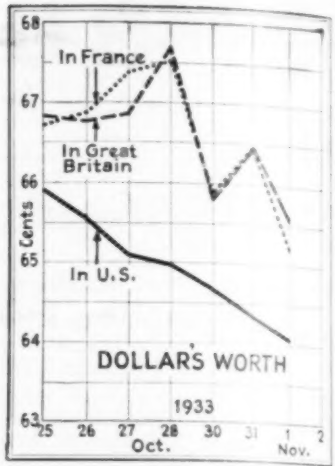
The worst fear here (not yet generally expressed) is that the gold plan will prove wholly ineffective, that inflation will prove uncontrollable, and that complete chaos will result, involving the disruption of all world trade. The *Week-End Review*, highbrow British periodical enjoying a good deal of prestige, in approving the Roosevelt experiment, says that the City's judgment is worthless just now because the City fails to realize that Roosevelt is operating a sort of new revolution wherein Big Business and High Finance, as now known, have no place. It pleads editorially for judgment by political, not economic, principles until the new society takes shape.

There is a group in London which is inclined to view the modest but specific criticism of the codes in the October Federal Reserve *Bulletin* as a declaration of war by the bankers. Perhaps this interpretation is exaggerated, and reached without an appreciation of domestic factors. Nevertheless, lined up with the disparity of opinion between the Bank of England and the British Treasury on sterling's future, it gives some color to the interpretation in *Week-End Review*.

Paris Confused

Bank of France reassures public of franc stability, but French bankers are skeptical.

PARIS (Wireless)—The announcement from Washington of the new Roosevelt policy to buy gold in the world market at prices fixed by Washington above the world price came like a thunderbolt to



THREE GOLD DOLLARS—Below is the theoretical gold value of the dollar at home. The other two lines represent the theoretical gold value of the dollar in Britain and in France. It will be noted that boosting the domestic price of gold did not cheapen the dollar abroad, but that the mere announcement that we intended to buy gold abroad brought it down sharply. A week, of course, is much too short a time from which to draw any final conclusions.

Frenchmen, despite warnings and efforts of the French government and the press to rationalize away the worst fears. France is painfully aware of the precarious position into which this new move maneuvers the gold bloc.

Dollar exchange fluctuated nervously with each new announcement and each new rumor. Responsible financiers have pointed out during the week that the Federal Reserve, if it is going to obtain bar gold in Paris, must first obtain Bank of France bills. As this plan develops, currency in circulation will be contracted so that the gold cover will remain essentially the same as at present.

Bankers are less optimistic, point out that dollars have displayed such remarkable vigor in recent weeks, even in the face of drastic efforts to depreciate them, that it is quite possible that they will begin to move upwards shortly due to the pressure of short covering (the shorts have bought heavily), and to the normal trend of commercial transfers.

The whole project is so far removed from orthodox financial policy that even the best of French monetary experts are contradicting each other with their attempts at interpretation. The public doesn't know whether to expect an embargo on gold in the near future or an international agreement with concessions on all sides in order to prevent general currency chaos.

Conservative Paris is reserving final judgment on the project until it knows how extensive the RFC's purchases of gold on the open market will be.

Managed Dollars

Hint of a commodity dollar alarms financiers, but not mere managed money. That's nothing new, but its history shows it has usually been managed to help the Treasury, not general business.

THE unfavorable business reaction which set in immediately following President Roosevelt's latest Sunday evening address to the American people was occasioned by uncertainty as to the ultimate goal of the Administration rather than by fear of ends immediately in view or of the means to be used in attaining them. The need of managing the dollar in international markets is obvious and the announcement that management would tend toward a gold value still further reduced was not frightening. Business has reconciled itself to this eventuality.

Wide World

PRICE FIXER—Dean Acheson, Under Secretary of the Treasury, leaves the White House after one of the frequent sessions to fix the price of gold.

Nor was the definite promise of a managed currency as such disturbing. Nations have always managed their currency with more or less precision and success. The cause of misgiving was the inference that, once having brought the dollar to a low level by old-fashioned methods of management, the government proposes to keep it at that level by frequently changing its gold content. What disturbed Wall Street was the prospect that we may eventually find ourselves measuring the value of assets in terms of a commodity or "rubber" dollar. If the President had left that one inference out of his address it would have been accepted by the financial group as a forthright and reassuring statement of plan and purpose.

The President's address came at the end of a fortnight in which there was a growing and an almost universal conviction that he was turning definitely toward the right wing in the field of economics. His allusion to managed currency turned conservative opinion again toward the conclusion that the plans and purposes of the Administration are definitely keyed to meet the desires of the debtor group. Belief is again arising that the Administration aims at a redistribution of wealth.

Whose Fault Was It?

The underlying theme of this movement is that bankers, investors, and creditors brought it upon themselves by the abuses of the last 15 years, and that the redistribution and policing of wealth is just retribution. Bankers concede that this is true in part, but they seem able to make out a pretty good case for the contention that the uncontrolled expansion and predatory opportunism which brought about the commodity panic of 1920 and the depression of 1929 were more political than economic and had their principal motivating influences in Washington.

When the Federal Reserve system was organized and put into operation in 1914, the best economists regarded it as being more responsive to community credit needs, more effective in the control of currency and credit, and better suited to the needs of a broad and heterogeneous country than any other central banking system ever devised.

It was assumed at that time that interest rates, commodity prices, and indeed business activity would be so manipulated by frequent adjustments of Federal Reserve discount rates that we might in effect have a controlled economy.

This seems now too much to have hoped but no one will ever know how far the system might have gone toward the ideal of control because the dominating influence in the system was more political than economic from the beginning. A favorable loaning rate upon which the government might finance itself and Secretaries of the Treasury vie for the honor of being "the greatest secretary since Alexander Hamilton" have always been more important in the affairs of the Federal Reserve than the credit and business conditions of the country.

The Treasury Influence

Two years before mad speculation in commodities ended in panic in 1920, able bankers in the Reserve system pleaded for increased discount rates and discouragement of speculation through the money market. Federal Reserve banks in the interior were coerced into maintaining low discount rates and financing speculation. Not until the collapse was about to set in was the Treasury influence overcome, and then too late. Discount rates were advanced just in time to give rise to the universal cry that the Reserve banks caused the panic. Out of this situation came a public uprising that threatened the existence of the Federal Reserve system.

When the adjustment of discount rates seemed to lose its effectiveness another weapon was devised through the open market operations of the Federal Reserve banks. By this device the Reserve banks purchased government securities in large quantity to force money upon the banks, thus arbitrarily to reduce interest rates and stimulate business activity. The theory was that to check speculation and inflation the process would be reversed by selling government securities, draining the banks of reserves and forcing higher interest rates. The theory again was sound but it failed largely because, with the exception of a part of Woodrow Wilson's term, the Federal Reserve system has usually been adjusted to the current desires of the Treasury Department rather than to the long time needs of credit and business.

No World Participation

While the effectiveness of these two methods of control was being defeated by political considerations, Federal Reserve banks were not permitted to operate in the exchange and currency markets of the world in any such fashion as other central banking systems were operating to stabilize currency and promote trade. There was a vague fear of contamination and a stubborn resistance to anything that looked like involving our financial structure in foreign imbroglios. And so it is not until

we are reaching for desperate remedies to recover from our worst panic that our central banking system enters world markets and makes use of all of the facilities ordinarily available to central banks in fulfilling their functions.

It is now being generally understood that it was inevitable that the government would enter world markets to trade in gold. Only by such operations can the dollar be protected from the effect of foreign speculation and foreign currency policies. The mere purchase of newly mined gold is reassuring and, at the prices named, probably has some effect on commodity prices and on the internal condition of the dollar. But even the brief experience of the past fortnight shows that the dollar in foreign markets may be quite a different dollar from the dollar on Main Street.

Foreign Reactions

Foreign reaction to our announced plans has been less nervous and resentful than might be expected from the fact that we were just a bit belligerent in our announcement. France is most concerned among the foreign nations for the reason that any active gold war might drive her off the gold standard. England's principal concern is to support her foreign trade with the pound lower in relation to par than competing currencies, particularly since she is so situated that this can be accomplished without material increase of domestic prices.

One theory is that Mr. Roosevelt aimed at the devaluation of the franc when he avowed his plan. This may be doubted for the reason that the Administration obviously is not yet ready to stabilize the dollar, either on a fixed relation to gold or on a commodity dollar basis. When that time comes, some devaluation of the franc might be helpful to international arrangements. In the meantime there is an unconcealed suspicion that the President has not been unmindful of the fact that our forthright participation in the gold markets of the world might be an ace in the hole when debts and other international problems are discussed.

Not Stabilization Time

There are those who doubt that the President would find a stable dollar desirable at this time, even if the present level of gold ratio were suddenly discovered to be satisfactory. Anything which definitely stabilized our currency and removed all uncertainty as to its immediate future would have a sharp tendency to repatriate dollars that have sought refuge abroad in recent months.

While the flight from the dollar has not been a serious problem, accumulations abroad do seem to be excessive. English economists mention figures that vary widely, but the average seems to indicate that London has about \$2 billions of unwelcome foreign money in its care, and that at least a billion of this is American money. In addition to this, American concerns doing business abroad have left large balances in many of the markets of the world. A condition, suddenly developed, which made the dollar seem the most attractive currency in the world might bring about a homecoming of the dollar that for the time being would upset all of Mr. Roosevelt's plans for dollar devaluation and commodity price inflation.

Johnson vs. Ford

Just as Washington threatens action on compliance issue, Dearborn gives an inch.

PEOPLE who have been waiting for the code-boosting General and the code-spurning automobile manufacturer to "start something" were pleased, then disappointed this week.

General Johnson went over the top first with the statement that Henry Ford was ineligible to receive government contracts under a Presidential ruling of Aug. 10 that, to do business with the government, contractors "shall comply with all provisions of the applicable approved code of fair competition for their trade or industry." To persistent pressmen who wondered just how he had satisfied himself that the Sphinx of Dearborn was not going to comply with the code the General said, "Edsel Ford told me they would never consent to collective bargaining."

Newspaper men who knew only that Edsel Ford had said that "Johnson is assuming the airs of a dictator" and that "Johnson's daily expression of opinion is not the law; flying the Blue Eagle is not the law" also knew that Henry Ford faced a more imminent test of compliance.

Like few other codes, the automobile code sets up the industry's national trade association, the National Automobile Chamber of Commerce, as the authority to receive periodical reports from individual manufacturers covered by the code. And almost everybody who knows the history of Mr. Ford's relations with the N.A.C.C. knows what kind of a red flag that provision raised. Reports were due. If none came from Dearborn, the General would have his "clear-cut case of violation."

Instead, the General received late Tuesday a notice from the N.A.C.C. listing automobile manufacturers who had promised to send in their reports and lo! Henry Ford's name led all the rest—at least as far as the headline writers were concerned.

Whether General Johnson has committed the strategical error charged to him by those who keep reiterating that Ford's wages and hours are better than those of the code he has refused to sign still remains to be seen. Some

PROPER AUSPICES—Senator Wagner, here discussing wages with silk and rayon makers, believes, "with the Paterson silk strike out of the way, we shall have no major strikes on our hands . . . controversies can be settled readily if the parties thereto are brought together under auspices they can respect."

labor authorities held that Ford compliance even with NIRA's clause 7(a) was indicated when the Ford management at Chester, Pa., met representatives of the striking assembly plant workers there. Others wondered—but not very much—what would happen if these representatvies had been non-employee agents of an automobile workers' union.

The General's critics raised another issue. Does the executive order imposing code compliance on those who sell to the government apply to dealers of non-compliant manufacturers who themselves fly the Blue Eagle? The Northwest Motors Co. of Bethesda, Md., whose low bid for a contract for 2,300 trucks for government use sent the General over the top, is an independent Ford dealer. The General says, "I have taken the position that a manufacturer cannot hide behind a $10,000 company." However, a good deal seems to depend on what position the Comptroller General takes. He will make the final decision.

One impression of this week's battle seems to be that the General is picking on the automobile manufacturer without much public evidence of justification. Another guess is that the General has ample evidence that Mr. Ford doesn't like the code and that his latest move toward technical compliance was strongly influenced by pocketbook considerations. Those reports of town boards turning down Ford bids because of the automobile manufacturer's attitude toward NRA can't make Mr. Ford very happy. They may reflect popular sentiment.

Labor Boards

Senator Wagner's labor peace court adds 16 little courts with more power than you would think.

ORGANIZING to take jurisdiction over all labor troubles under NRA codes, except where codes, like those of the bituminous coal and cotton textile industries, have set up specific adjustment machinery, the National Labor Board has added 16 regional labor boards. They will mediate peace where possible, arbitrate where disputants accept their authority.

They will have more authority than appears on the surface. Compulsory arbitration is anathema but a decision on wages, hours, or working conditions that disputants refuse to accept can always be written into the code involved if worst comes to worst—and to the President. Incidentally, this argument has already been used effectively in at least one wage row.

Regional boards are being made up of one outstanding citizen in each section as chairman, an industry member and a labor member, all three serving without pay, plus a secretary paid by the National Board. Hereafter, Senator Wagner's professional troubleshooters who leap from strike to strike will get the alarm call from the regional boards.

Reporting on the first 100 cases to come before the National Board, Senator Wagner pointed out this week that it had successfully settled 66. Of these, 46 were ended by mediation on the spot, 12 through agreement after hearings in Washington, 8 through decisions by the board accepted by disputants. Two-thirds of the arguments arose over recognition of employees' representatives and collective bargaining.

All the Labor Boards and all the Wagner troubleshooters, however, haven't been able to put together the Detroit employers and strikers, who fell out again this week, with the sound of crashing glass in the newspaper headlines.

There *was* trouble in Detroit last Monday, when roving rioters in the traditional high-powered cars smashed windows and burned blueprints in a well-organized raid on scattered tool and die shops. But after the glass was swept up and the sore heads bandaged, there was little damage and no gain.

Employers see the flare-up of violence as an indication that the strike has almost run its course. Losers in strikes, as in poker, get desperate, do things they wouldn't do normally. In the automobile plants, especially, where picketing has been difficult because production workers were also coming and going, the strike is about over. Independent shops are not in so good a position, but employers generally have held out.

The Regional Labor Board is still considering a settlement, but there may soon be nothing to settle.

Try, Try Again

When you get your code to Washington, you may have only begun to fight—as the tire and construction industries have learned.

IMPORTANT industry groups are finding that the hustle and bustle, committee meetings, conferences with NRA officials, hurried trips to Washington, and general alarms which precede final achievement of a code hearing, are no more than a training jaunt compared with what must be endured if at the hearing their code strikes a reef and must limp back for rebuilding.

The experience of the tire manufacturers provides an excellent example. Few if any industries have developed a greater variety of destructive competition than that which has prevailed in the automobile tire business ever since the industry's production capacity shot far ahead of the most ambitious estimates of possible future consumption. While the manufacturers themselves tried to maintain some semblance of ethical procedure in their fight for business, wholesalers—and particularly retailers—stopped short of nothing when they saw an order ahead.

Competitive practices underwent some revision when in 1926 the two mail-order houses, Sears, Roebuck & Co. and Montgomery Ward & Co., entered the tire business. They were sharpened materially when in 1930 the large oil companies, led by Standard Oil Co. of New Jersey, began to offer tires at their owned or agent-operated service stations. Smaller tire manufacturers, independent wholesalers and retailers, began to feel that they were being squeezed out, proceeded to fight back with the only weapon they thought effective—price-cutting.

Enactment of NIRA came like an answer to prayer and leading manufacturers went to work immediately to draft a code that would outlaw uneconomic and destructive competition.

The Code Committee of the Rubber Manufacturers Association started early in June on a seemingly endless series of meetings, at New York, Akron, Cleveland and Washington. The staff of the association prepared bushels of tables, data, important statistics. Finally on Oct. 3 a code was completed for which the NRA was willing to schedule a public hearing, on Oct. 20.

The nub of the entire code was Article VI which provided for a plan of "differential control" pending the establishment of a market stabilization plan based on cost control. Aside from prescribing sales and discount procedure for various types of buyers, Article VI contained in its Section 3 a most significant and far-reaching provision. It recognized the advantage that accrues to a manufacturer as his volume of sales increased and established a series of discounts designed to put the small manufacturer on an equal competitive footing with the largest.

For instance, under that clause, a tire manufacturer whose total sales in 1932 were less than $2 millions would be permitted to offer new dealers up to 15% more discount from established list prices than can be offered by the

large manufacturers—those who did over $15 millions in 1932. This on the theory that, through advertising, special cooperation with wholesalers and retailers, the large manufacturer has gained certain advantages which a smaller tire maker cannot equal, and to offset which a larger discount must be offered.

Everybody thought that this provision would strike at the core of the industry's competitive troubles—until Article VI was thrown out at the hearing.

Leaders of the industry have been in session almost continuously since then, trying to devise some other plan by which at least some semblance of stabilization and improved competitive practices can be achieved. Their efforts have been complicated by the fact that on Oct. 18 the Federal Trade Commission issued a complaint against the Goodyear Tire & Rubber Co. charging violation of the Clayton Act through price discrimination in favor of Sears, Roebuck & Co. The hearings on that complaint, which must inevitably follow, will drag out into the open the private-brand situation which for several years has been a thorn in the side of the independent wholesalers and retailers, but a lifesaver for some of the tire manufacturers. Tires sold under private brand by mail-order houses and large oil companies now account for a substantial portion of the entire output of the industry and the problem of how to cover in the code any possible change in this set-up revision is keeping the code committee up nights.

Construction Wage Tangle

In the construction industry problems also have become more acute since public hearings on its basic and numerous supplementary codes for important branches began early in September. The basic code, submitted by the Construction League, was expected to set the pattern for others to follow; instead it just touched off fireworks. Labor leaders wanted to have labor and wage provisions equal those provided for work under the Public Works Administration. The construction industry considers those rates prohibitive for general work, argues that they would raise a barrier against any new construction by private capital. A plan suggested by Deputy Administrator Malcolm Pirnie, providing for a step-up of wages on a predetermined schedule (*BW—Oct14'33*) was rejected by labor.

Since then, labor leaders have drawn up a code which they want adopted. It would impose upon the entire country the high wages and short hours provided in existing building trades contracts drawn up in happier days, would constitute legal endorsement of such existing union contracts, and, according to important financiers and engineers, would automatically kill all large projects, now under consideration by private capital.

Leaders of the various branches of the construction industry have had a regular procession of meetings without arriving at a solution. Announcements of an acceptable compromise are postponed day after day. Labor leaders are adamant, prefer to hold up the works rather than compromise.

Model Code

NRA is drafting a plan for better teamwork on trade practice improvement.

THE drawing up of a model code has been one of the unattainable ambitions of NRA experts and code designers. It has been beset with many difficulties, not least of which has been the fact that able lawyers (and many not so able) have made a lot of excellent fees drawing up the documents that have been submitted. But NRA has persisted in at least trying to draw up a model to be used in whipping the others into shape after they pass the bronze portals of the Commerce Building.

Three distinct efforts have been made, and the last drive is now reaching its goal. For a month past a group of 20 men, from NRA, from the Industrial Labor and Consumers' Advisory Boards, from the Department of Commerce and from the Federal Trade Commission have been working on the revision of the last effort, which was finished in September, issued to the number of 1,000, and then withdrawn.

The new form, not yet entirely finished, has been sifted down to a workable document, has incorporated many new features, including a clause for export (long asked by the exporters, blandly ignored or eliminated from codes by deputies under confusing orders), frank facing of such problems as who shall pay for the administration of codes, and a sample list of "unfair trade practices" which are acceptable.

Too Many Practices

The trade practice provisions included in various codes total over 60. The Federal Trade Commission suggests 26. Although the model code itself may contain others, 6 have been approved and announced by the committee as covering most of the sins of most industries. They deal with: accuracy in advertising, attacking competitors, price discrimination, commercial bribery, breach of contract, and coercion. Another list drawn up in the course of the studies number 16 unfair trade practices: inaccurate advertising, "bait" advertising, inaccurate labeling, inaccurate references to competitors, "We Undersell All Competitors," selling below cost, threats of lawsuits, secret rebates, free goods, selling on consignment, bribing employees, false billing, interference with contracts, repudiating contracts, "tying" contracts, and "black listing."

Harris & Ewing

AUTOS, TIRES—K. J. Ammerman, recently appointed deputy administrator, is in charge of codes for the automotive, rubber, and allied industries. His engineering and sales experience began with the old Simplex Co.

The selling below cost provision reads, in this list, as follows: "No member of the industry shall sell any commodity below cost or replacement value. Cost shall include the cost of production in a manufacturing or processing industry; or the net invoice delivered cost in a retail or wholesale industry. (However, any member may meet the price competition of anyone whose costs under this code provision are lower.)"

The committee's report pulls no punches in its insistence that uniformity of trade practice provisions is a vital necessity of codes, and even goes so far as to state that Presidential Executive Orders may yet be necessary to enforce such uniformity. It finds that the 170,000 manufacturers and 160,000 wholesalers of the country each belong to from 2 to 5 trade associations, making for confusion rather than simplification in the matter of trade practices. It holds that industry's reward in entering into the code arrangements was to be an improvement in the trade practices of the industry, and that this reward will have to be delivered. The model code seeks to guarantee delivery

Textile Code Wins Friends

Cotton-textile industry is cheered by progress, but anxious about buying power and competing materials.

SENTIMENT in the cotton-textile industry definitely accepts the NRA code. The prevailing faith is that the code will better conditions both for employer and employee. Leaders are convinced the textile industry has definitely turned the corner. But they are anxious about two things—general increase in buying power, and some readjustment or equalization plan in connection with the burdensome processing tax.

Until recently many doubting Thomases felt that problems in the industry were too complex to be solved through the code. They remarked that amendments or modifications to the code had been the order of the day ever since it was signed. They predicted that before long the old code would be scrapped entirely and a new, more comprehensive, more complete one "with teeth in it" would be substituted. That feeling has changed.

Four Changes Made

It is pointed out that the amendments actually approved merely cover specific phases, do not change but rather reinforce the original instrument. For instance the first amendment spiked the attempts of potential chiselers to evade the intent of the recovery program by offsetting the higher rates of pay, shorter hours, by the stretch-out process. The second amendment, bringing the rayon weavers under the provisions of the cotton-textile code, carried the wholehearted approval of a majority because it cleared up a snag that held much promise of future trouble, since most of the rayon weaving in this country is done in cotton mills. Similarly the agreement vesting in General Johnson auhority to control the installation of additional productive machinery was hailed as a necessary step. The most recent modification applies only to the cordage and twine branch of the industry and merely clarifies the wage provisions.

Figures demonstrate that the basic NIRA objective—more jobs and higher wages—has been achieved. Employment increased from 320,000 operatives in March to 466,000 in September, up over 45%. Payrolls jumped 111%, from $12,800,000 in March to $27,000,000 in September. The actual increase in labor cost, due to shorter hours, higher rates, elimination of night shifts, rose 100% in some mills and shows an average increase of 70% per unit of product for the entire industry.

This spectacular increase in cost coupled with the effect of the processing tax and the resulting higher prices has caused the greatest concern, and is the reason why leaders are scanning the industrial and economic horizon in every direction for signs of the widespread increase in general spending power that will have to occur rather promptly if the textile industry is to hold its hard-earned gains.

Processing Tax Problems

Textile men have been conferring with officials at Washington in the hope of gaining some concessions on the processing tax. With cotton selling at 9¢, the tax of 4.2¢ adds almost 50% to its cost. That brings an average increase of 8¢ in the cost of a bed sheet, 8¾¢ on a pair of overalls, more than 1¢ per yard on ordinary unbleached muslin. Statisticians have estimated that the cotton-textile industry will pay in processing taxes more than 6 times as much as it pays in all state, county, and municipal taxes, that plowing under of cotton in the South will cost the consumer approximately $110 millions during the first levy-year.

Wholesalers have complained that manufacturers charged the tax on goods that were actually going through the mill when the tax became effective, and have asked for a rebate on the theory that manufacturers did not pay it. The manufacturers point out that processing of cotton goods from bale to finished product takes the better part of a month, that when the tax is lifted they will have a month's supply of cotton in the works on which the tax will have been paid, that they can protect themselves only by charging the tax from date of its effectiveness to the day when it is lifted. This problem is also the subject of conferences at Washington.

There is some uneasiness that the higher prices will cause a shift away from cotton to competing products. The Cotton-Textile Institute already has had reports that large users are changing from cotton to paper towels, others from cotton bags to burlap bags. They hope that such shifts will prove profitable only until other competing industries have begun to operate under a code, but they would like to check any such trend before it gains headway. They argue that it will be better for the cotton grower to reduce the processing tax than to permit the permanent loss of important markets.

Market Conditions

Consumer buying of cotton goods has not yet regained the abnormally high levels reached during the July and August pre-processing-tax boom (*BW—Sep2'33*). Wholesale buying, which suffered a genuine slump in late August

Acme

RECOVERY CENSUS—Colonel Robert W. Lea, Assistant Administrator of NRA, looks over first million replies to President's questionnaire on NRA results.

and September, according to many mills is being resumed on a broader scale. Activity in the industry as a whole is considered satisfactory.

Operators feel that progress toward wholesome stabilization of the entire industry will continue unabated. They are not seriously concerned over the strikes that are in progress. The disputes center chiefly around certain old inequalities accentuated when the codes became effective. They believe that when these differences in rates between cotton finishing, silk and rayon finishing have been adjusted, strikes will dwindle to a minimum, and will disappear as jobs at acceptable code-wages become more plentiful.

Steel's Morning After

Just one final spree on cheap tonnage leaves the steel men with a headache and a stern resolve to stay on the code wagon hereafter.

Wide World

E. A. GOLDENWEISER—The scholarly, unassuming money expert of the Federal Reserve whose soft answer mollified the General's wrath.

WHEN the Federal Reserve's monthly review of conditions said slowing up of operations was particularly marked in industries which recently have adopted NRA codes, General Johnson stormed, Dr. Goldenweiser murmured "inadvertent remark," but steel men blushed self-consciously and grunted "Well, it was our own darned fault."

Events of the past 60 days, they say, are the perfect illustration of the need for a code, show why it is here to stay.

Studying the provisions of the code, steel men discovered they would have to jack up prices $10 to $12 a ton, $15 in extreme cases, if they were not to sell below cost, or extend various traditional favors to big customers. That sounded fine—but old habits were too strong to break. A mad bid for tonnage set in during the final days before the code was to take effect. "Better get in under the wire before prices go up," was the advice to buyers. The buyers did—and how!

A Good Spurt—

For a short time, mills ran at high rates. Some bar, sheet, and strip mills climbed to 80%, even 100% of capacity. One of the largest makers of flat-rolled steel had bookings approaching the highest mark in its history. But now the orders are filled. The mills have little to do; some are closed.

Detroit got most of the tonnage, and General Motors, Ford, and Chrysler have on hand 150,000 to 200,000 tons of steel, won't be in the market much before January.

The steel men are twiddling their thumbs. Some of them wish now they hadn't offered such tempting bait to get unprofitable tonnage. They might have made some of this huge supply at a profit instead of a loss.

Never has the steel industry needed orders worse than right now. That is one reason why the government pressed so hard to get agreement on rail purchases of 800,000 tons. A few big rail orders would bolster the ingot operating rate that might otherwise slip shockingly low. Low operating rate means low employment, of course. There is another aspect—many business men take the steel operating rate as a barometer. A drop from 60% to 20% would not help business confidence.

Third-quarter financial statements show the industry was close to the border line between profit and loss. Bethlehem lost only $283,000; Youngstown cut its loss in half as compared with second quarter; Jones & Laughlin had a small operating profit. Republic, National, Wheeling, and Ludlum made profits.

The steel code, a 90-day trial affair, comes up for reconsideration on Nov. 19, is certain to be reaffirmed. The vigor and enthusiasm displayed by the Steel Institute are assurance of that.

Biggest complaint of important steel users, concurred in by many steel men, is the provision that they must pay the same price as the shop using 200 tons a year. Another complaint, voiced by American Trucking Associations, Inc., pertains to the delivered price clause favoring railroad haulage of steel.

Facing drastic increases in steel prices, Henry Ford is playing a characteristic hand. He has had some of his henchmen visiting sheet mills to get ideas for one at the Rouge plant. Steel men believe Ford is bluffing. They point out that Ford still can buy steel cheaper than he can make it.

Rails

"Collusion" was just codification, say steel companies, who split the difference on rail price.

PRESIDENT ROOSEVELT split the difference with Myron C. Taylor, chairman of U. S. Steel, and 48 railroads will be able to buy 844,525 tons of steel rail at a price of $36.375 (now $40) a ton with money borrowed from the Public Works Administration at 4%.

Previously requested by Railroad Coordinator Eastman to submit competitive bids, Big Steel, Bethlehem, Inland, and Colorado Fuel & Iron were charged by him with collusion when they quoted a uniform price of $37.75. Eastman offered them the alternative of cutting the price to $35 or opening their books to government accountants. But that was last Saturday. On Monday, following a White House conference with steel company officials, the President announced that they had agreed to meet him halfway. What Eastman thought was collusion was simply the steel executives' "understanding of the steel code provisions." The White House statement puts it:

"The U. S. Steel Corp. states that without consultation with other manufacturers and in conformity with the code, it notified the Iron & Steel Institute that it proposed to reduce its price for steel rails from $40 a ton to $37.75 a ton. This notice having been given to the Institute became public property and thereupon the other three manufacturers of steel rails reduced their price to meet the price established by the Steel Corp."

Face-saving statements are that the rail makers insist $37.75 was only cost of production plus a fair profit and that Eastman still believes $35 would represent a fair purchase price.

Self-Government

Gerard Swope announces the plan whereby business hopes to keep its own destinies under its own control, and avert bureaucracy.

BUSINESS moved boldly this week toward establishing and safeguarding permanently the self-government of business which was contemplated by the original sponsors and administrators of NRA, but which might easily have been lost to a governmental bureaucracy.

It is the most significant development since the administration of the Act began. Though the news broke with dramatic suddenness, as if spontaneous, it really represents months of thinking and planning.

Gerard Swope, presiding as chairman over a meeting of Secretary Roper's advisory board, startled his audience by urging the organization of a super Chamber of Commerce—a "National Chamber of Commerce and Industry," to act as the coordinating body for industries and business codified under NRA, in order to bring the whole power and support of American business behind the code system. The proposed chamber would have three divisions: (1) commerce and trade, including retail, wholesale, and kindred interests; (2) industry and manufacturing, including codified national manufacturers associations; (3) associations representing local and geographical divisions, such as chambers of commerce.

Mr. Swope asserted there was pressing need for a body able to speak for American business as a whole. Such a body, he said, "would be in a position of responsibility and could be held accountable by the public. It could speak for commerce and industry on legislative problems, on questions of finance and transportation, and work out nationally better methods of promotion and maintaining good and continuous relations with employees and consider with their representatives plans that will promote greater well being and security for them."

Henry I. Harriman, president of the U. S. Chamber of Commerce, announced his support of the plan.

General Johnson revealed that he had cooperated in working out the idea. He believes it is the answer to genuine self-government of business. The proposed organization would supply the personnel for code authorities—a problem that has been deeply worrying NRA, which feared sincerely that when the important business men now giving their time to the job departed, one of the government departments—probably Commerce—would inherit. The step from that to a corps of government employees supervising the operation of codes would be short, indeed.

The new super-chamber is designed to supply all the machinery and the routine for code enforcement—clear up to a kind of supreme court of business.

As a piece of this whole policy, it was announced this week that Walter Teagle, Gerard Swope, James A. Moffett, Austin Finch, and John B. Elliott had resigned from the Industrial Advisory Board of NRA. They were succeeded by Pierre duPont, Clay Williams of the Reynolds Tobacco Co., Myron C. Taylor of United States Steel, General Robert E. Wood of Sears, Roebuck, and R. E. Flanders of Springfield, Vt.

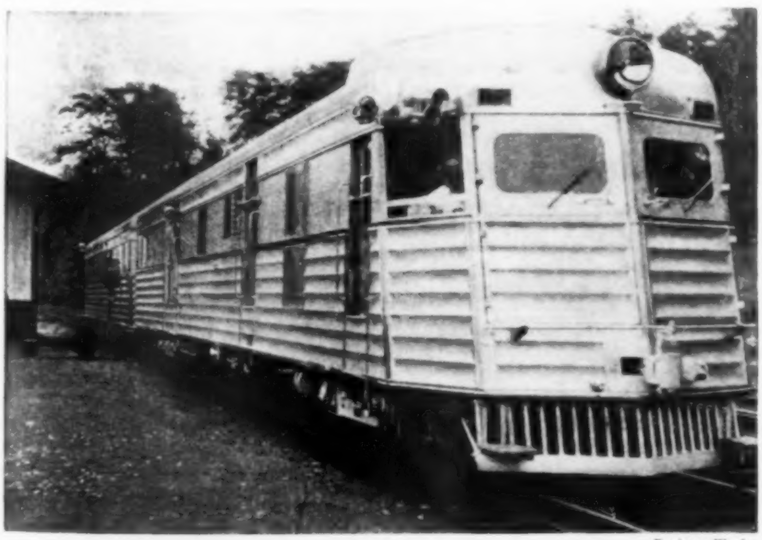
A plan of rotation was announced, whereby business men of comparable standing will take the place of these men after a few months, and so on.

"Every leader in business should be given the duty and privilege of participating. We must maintain our freshness of contact with business," said General Johnson.

Mr. Swope's plan provides for a panel of eminent business men to sit in Washington as a "board of appeals on any questions that may arise in the interpretation and enforcement of national code provisions." So as not to make the duties too burdensome, Swope suggests that the panel be divided so that the said eminent business men should be in Washington only four months at a time.

This, obviously, is planned as the answer to the question, "Who shall inherit NRA?"

Next on the program is the General's speaking trip, undertaking to sell NRA to the nation. The General is at his best in this rôle. The Administration hopes much criticism will be stilled by his exposition of aims and progress.



Business Week

FIRST ON THE RAILS—The Texas Pacific shot-welded steel train, built by Budd, leaves for active service between Fort Worth and Texarkana. First of the new fast, light, cheap-to-operate trains, it features air conditioning, pneumatic-tired trucks under the passenger car. The forward car houses the mail and baggage compartments, the 250-horsepower Winton engines driving Westinghouse generators, and the Westinghouse-Sturtevant air-conditioning apparatus.

Code Hearings

Shipping leads list of hearings on NRA schedule.

THE shipping industry gets the NRA spotlight next week. Hearings on its proposed code start Nov. 9, will bring to Washington exporters and importers as well as shipping men, all interested in the rate and wage issues that it pushes to the front. Primarily, the code covers the coastwise and inland waterways lines, but it has a foreign division.

The list of hearings for next week includes: Nov. 6 — wood-cased lead pencil, investment bankers, machine waste; Nov. 7—gasoline pump manufacturing (modification); Nov. 8—pipe organs, gears, beverage dispensing equipment, velvet; Nov. 8—slate, shipping, bedding, burlesque, insulation board, gray iron foundry; Nov. 10—athletic goods, paper drinking cup and food container, foundry equipment.

Business Week

CAMEO FELTS—New men's hats developed by Ferry, are literally "engraved" with patterns which give a fabric effect to plain felt.

Laundry-Tested Label

Laundry owners work with textile makers to set up continuous testing process for washable goods.

THE laundries are tired of taking the rap for fabrics sold as "washable," "pre-shrunk," or "fast color." For years they have been paying damage claims rather than lose the customer. For years, the Laundryowners National Association has been conducting laboratory analyses on garments returned for damages, has found that in 85% of the cases the laundry was not to blame.

"We have tried to educate the housewife to buy quality goods," says Director Johnson of the Department of Research at the model laundry in Joliet, "and we have tried to educate the retailer to recognize his responsibility. Now we are going back to the source to eliminate complaints."

The Association's Institute of Laundering has developed a plan by which it will grant its "laundry-tested" label for use on consumer goods and garments which measure up to its continuous testing process. Sample swatches of each lot of material are sent by the converter to the Institute laboratory where they are tested for shrinkage and color fastness under actual laundry working conditions. Excessive shrinkage or fading is reported by wire to the converter.

Finished garments of tested materials are then purchased at retail by laundry owners in scattered sections, sent in to the Institute for checking on quality of workmanship as well as shrinkage and color fastness.

Labels are already in use by two converters licensed under the sanforizing process controlled by Cluett, Peabody. Labels will be limited to licenses of this process during an experimental period, after which testing controls will be worked out for other producers of washable goods.

Advertising is planned for trade and consumer publications to educate makers and users on the merchandising value of the "laundry-tested" process and label. The Association aims for a closer alliance between textile makers and converters and the laundries.

Three-Light Lamp

Two filaments triple the lighting flexibility of G-E's new bulb.

GENERAL ELECTRIC announces a new electric lamp, as revolutionary in its way as the first tungsten which makes possible flexibility of lighting with single bulbs.

The new Mazda Three-Light lamp looks like any other bulb. A little more breadth in the beam and another contact on the base are all that distinguish it. Inside, are two separate elements to be burned singly or together, giving three different levels of light. Two sizes are made: a 150-200 watt and a 200-300 watt. The latter, about the same size as the conventional 500 watt bulb, may be burned at 200, 300, or 500 watts.

Except for a special socket to give the double center contact and the necessary switch at the lamp, or third wire to the wall switch, no other equipment is needed. First applications are expected to be in the commercial field.

Stores and offices with large areas which must be kept lighted even though not in active use are logical prospects. Until now they have had to depend on various makeshifts which necessitated turning off some lamps altogether, with saddening effect on trade. With the new bulbs they can show they are open for business with one filament, turn on both during peak hours. Department stores will find them useful in departments where traffic fluctuates daily or seasonally.

Another possibility is use of the light changes in store windows and spectacular signs to simplfy the complex setups now required.

Refrigerators

Frigidaire's price increase makes the general rise official; the industry will sell its million units easily this year.

ELECTRICAL refrigerator sales are slacking off as expected after their unseasonal boom this summer. May and June hit the high (June's 213,420 is the all-time record); July's total was little more than half the high but almost 5 times the 1932 figure.

August of this year registered 95,413 and September 70,189, totals which compare very well with the 25,573 for August, 1932, and the 34,027 for September, '32. The 9 months total this year 960,669, which compares with 678,340 for the same months of last year. This is the year, apparently, when the industry breaks a million. With figures for the last quarter still to come and expansive plans for Christmas-gifting of refrigerators in the making, it should be a sure thing by a large margin.

As sales began to fall, manufacturers began to raise prices, very gently, so as not to disturb still plentiful prospects. Some companies used the threat of a price raise to bolster sales.

Kelvinator took the lead with a restoration of price cuts made when the big sellers congregated just below the hundred-dollar line last spring. Then came a real price increase and still another. Westinghouse boosted prices in August and again in late October by 7% to 14%. Others went along.

Frigidaire, General Motors of the industry, has finally confirmed the trend to higher prices made necessary by rising material and labor costs with an average 10% increase which marks the end of the 2-figure price tag on standard models.

"OVER HALF A MILLION MILES on this INTERNATIONAL"

says *A. J. Carlson,*

Equipment Supervisor of the Deseret News, Salt Lake City, Utah

Twenty times around the world in mileage on Utah roads, then a joy ride to the World's Fair at Chicago with a load of prize-winning news carriers . . . . .

THE record of this good old International Truck, shown here before the Travel and Transport Building at A Century of Progress Exposition, is an inspiration to truck operators and a practical demonstration of *quality* and *true economy* for every man about to invest in trucks.

Here are a few excerpts from a lively interview with A. J. Carlson, equipment supervisor of this Salt Lake City daily:

"We charged this truck off the books a year and a half ago and carry it at $1 now. But even counting depreciation along with gas, oil, repairs, tires, and driver's wages, we run the SF-36 for 7 to 8 cents a mile.

"It's gone all of 500,000 miles and I am going to add 50,000 now before I give it another overhaul. The truck does 210 miles a day out on the rough Utah roads, six days a week, and believe me we run our delivery schedules just like a train. They set their clocks by our truck out around Nephi and Richfield. Besides that, the truck hauls most of our newsprint, miscellaneous freight, and waste from the plant. On the waste alone it's a daily 14-mile jaunt.

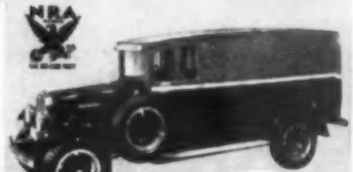
"I tell you, what counts as much as anything is the ready service behind the truck, and you people are masters in truck servicing. Nobody can equal your service, and that's something you don't have to tell the trucking world—they know it!"

This veteran truck and its brothers in the Deseret News fleet are like tens of thousands of other Internationals in this most important regard—*real quality is built into every one of them.* They are the product of International Harvester manufacturing policy, which insists on quality as the *first and foremost factor in the making of a truck.* Internationals are not the cheapest trucks to buy—*but they are the most economical trucks to own and to operate.*

Ask an International branch or dealer to show you in detail. International sizes range from ½-ton to 7½-ton. Chassis prices from $360 up, f.o.b. factory.

INTERNATIONAL HARVESTER COMPANY

606 S. Michigan Ave. OF AMERICA (INCORPORATED) Chicago, Illinois

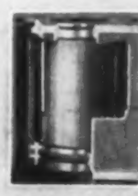


The New International Model B-3 has many construction features such as the two below. Two wheelbases, 136 and 160 in.

1½-ton, 6-cyl. Model B-3 reduced to

$695

for 136-in. wheelbase chassis, f. o. b. factory



● **Removable Cylinders** permit replacement of cylinders without expense of reboring or replacement of the cylinder block. This great feature of advanced automotive construction has long been everyday practice in International trucks. *Distinctive International quality.*

● ***Hardened Exhaust-Valve Seat Inserts*** are an International engine feature. Hardened inserts retard valve seat burning, engine efficiency is retained, and valves seldom need grinding. Vital details like these spell *low-cost hauling over a long period of years.*

INTERNATIONAL TRUCKS

Low-Cost Housing

Federal government, entering local housing field, faces slow problem of city planning, ill-suited to speedy relief.

ANOTHER well-grounded tradition was torn up in Washington this week with the announcement that a Public Works Emergency Housing Corp. had been established.

Housing has always been regarded as a local problem for private enterprise. A few cities—Cleveland, Detroit, and Milwaukee among them—have set up municipal housing authorities. A number of states, following this example of New York, have enacted housing laws enabling limited dividend corporations to borrow funds from the RFC for slum clearing and low-cost housing projects.

Uncle Sam Steps In

But these are semi-governmental operations, whereby certain tax exemptions or special privileges are brought to the support of private capital to encourage housing developments in the public interest. Now comes the federal government undertaking to provide for local housing with an initial appropriation semi-officially said to be $200 millions.

The object, of course, is to create employment and stimulate recovery in the building trades and the industries depending upon them. Secretary Ickes, who heads the new corporation, says that "the experience of the last 3 months indicates clearly that we may not depend upon private enterprise or limited dividend corporations to initiate low-cost housing and slum clearance projects." So the PWA is going to take hold.

Local Tie-Up

In announcing policies, however, it recognizes the difficulties involved. Robert D. Kohn, director of the Housing Division, will visit some 20 cities to study the local situations. The corporation will endeavor to encourage groups of citizens to investigate the problem of slum clearance, will assist state legislatures to create housing authorities in cities and counties, which will cooperate with the government in the management of the properties when completed, and will aid cities in long-term planning so that eventually each state or municipality may have an orderly program for rehabilitating low-cost residence areas.

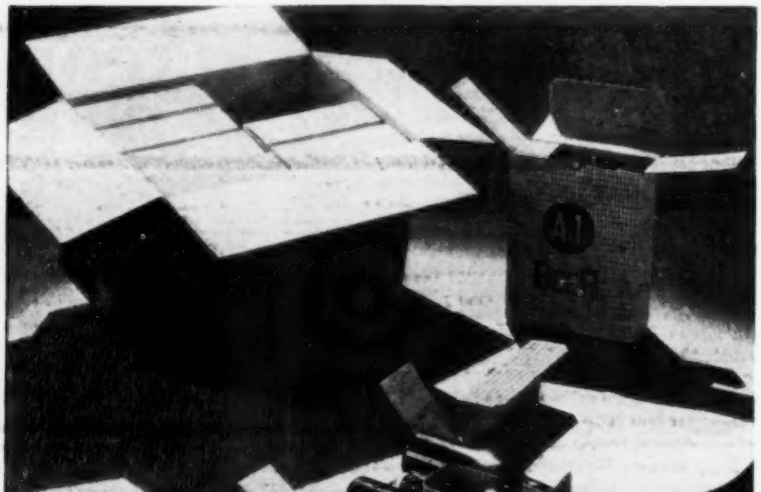
All this implies slow progress, for whether the work is done under local or federal auspices, or both, it still involves the development of a city housing program, the acquisition of land by purchase or condemnation and the perfection of plans for each project. So far, little has been accomplished locally in this direction and city plans, where they exist, have seldom gone so far as to allot definite backward or blighted areas for improvement and so no finished plans have been prepared. It looks like a practical job of education and development ill-suited to speedy relief.

One of the first questions to be settled is whether the purpose is to be low-cost housing or slum clearance. They are not the same. Mr. Kohn, an eminent architect, believes that in most cities the two objectives may be combined. But in such large centers as New York, Chicago, and Philadelphia, they are not now compatible. Most slums are found in blighted areas of such cities, on high-cost land, that can only pay a return by squeezing money from the poor for cheap, miserable accommodations. Low-cost housing cannot be located on high-cost land, because every extra dollar per square foot adds about $1 a month per room to the rental that must be obtained. Low-cost housing must offer $5 or $6 rentals, impossible for slum clearance projects on $10-a-square-foot land. To convert a slum clearance project on expensive land into a low-cost housing development, the value of the land must be depreciated or it will not produce income and how can this be arranged with the mortgage holder?

Low-Cost Land

PWA has already approved slum clearance projects in about a dozen cities and allocated nearly $45 millions. In 3 or 4 the land covered by the old houses cost $1 per square foot. Mr. Ickes says that none will be authorized for such high-priced land as has been proposed in some of our largest cities. Improvements will not be standardized but will meet the needs of each community. No skyscrapers will be built. The new corporation is empowered to engage in general construction, engineering and architectural work and to do anything that a private contractor or builder could do, but will not compete with private business.

The problem for the government will be how to accelerate the progress of this fundamental operation in city planning and keep it sound in both its social and economic aspects; also how to get out of the housing business once it is in.



Hinde & Dauch

BEER BOX—It comes flat, stores flat, folds into action quickly for the less-than-caseload trade. It is made of corrugated paper in color.

Beer

Nickel beer makes headway, brewers foresee smaller but still satisfactory profits.

PEOPLE are demanding a glass of good beer for 5¢—and are getting it in many places.

Consequently, brewery interests are

revising their earlier estimates of $5 or more a barrel profit to $1.50 or even less, says George W. Bacon, chairman of Ford, Bacon & Davis, engineers.

The firm has just completed a national survey of the brewing industry.

Mr. Bacon adds that quality alone will stand up under competition. The sale of non-aged beer will not do in 1934. It has been accepted because people knew the product was scarce.

Neither should the brewers look aghast at the prospect of $1 a barrel profit. In pre-prohibition days, high-grade producers were glad to be able to make $1 a barrel after all charges.

Recovery Earnings

Third-quarter earnings rose against the drop in the index of business activity and in spite of NRA's influence on costs.

EVERYBODY is watching third-quarter earnings reports. Throughout the period they cover, NRA was in action, presumably boosting costs. Many manufacturers were liquidating big pre-NIRA inventories piled up in the game of beating the recovery gun. *Business Week's* Index of Business Activity, which had risen 39% in the second quarter, dropped 12% in the third. Prophets were gloomy.

Yet, except for the utilities, this dubious third quarter seems to have drawn an earnings curve that contradicts the business curve. For 89 industrial corporations whose earnings are compiled by Standard Statistics it amassed $96 millions against $85.2 millions in the second quarter and $10.7 millions in the first. The rate of increase was slowed down considerably, but the total was 12% higher than in the previous 3 months.

Reports on these same 89 corporations for all 3 quarters reveal that they pushed 9 months' earnings 160% above the 1932 level—to $191.9 millions against $73.6 millions.

Sample Industries

Of course, these 9 months' figures conceal wide fluctuations. Four companies in the advertising, printing, and publishing business dropped to $1.8 million from $5.4 millions last year. Six automobile companies, excluding General Motors, turned a 1932 deficit of $12.4 millions into a 1933 net of $7.63 millions. Four construction companies chalked up a net of $179,000 this year against a deficit of $3.2 millions last. Eleven food products manufacturers that earned $38 millions in 1932 made $41 millions in 1933. Four paper products concerns jumped from a 1932 deficit of $374,000 to a 1933 net of $1 million. Three retail trade companies pulled last year's $8-million deficit down to one of $1.7 million. Three textile concerns are comparing a 1933 net of $1.8 millions with a 1932 loss of $433,000.

The railroad picture delighteth the eye. August earnings of Class I roads totaled $96 millions against $62.5 millions a year ago. Five of them, for which complete third-quarter earnings are now available, show a net of $18.7 millions against $9.9 millions in the second quarter and $6.6 millions in the first. For the first 9 months they can boast $35.2 millions against $22 millions for the same period last year.

Excluding the A.T.&T. report (*BW—Oct28'33*), 5 utilities show earnings of $4.3 millions for the third quarter, a drop from the second quarter's $5.4 millions and the first quarter's $5.6 millions. This, the only major industrial group to slip below the second-quarter level, likewise shows a decline for the 9-month period—from $20.8 millions last year to $15.3 millions this year, 26.2%.

In appraising earnings prospects for the fourth quarter, it should be kept in mind that during October the business index did not decline with the same velocity as in August and that business activity is tending to level out. Some industries should show up exceptionally well as a result of NRA's stabilizing effect on prices—for instance, oil. The government also is showing a more vigorous interest in commodity prices which should improve the earnings outlook for corporations that have large inventories. Finally, the government building program is gaining momentum and the seasonal slump in steel should be partly averted by forthcoming railroad orders to be placed via government credit.

New Street Cars

Chicago Surface Lines will put the new ideas into operation.

CHICAGO passengers are apparently to have the chance to ride the first street car gone modern. For the Chicago Surface Lines has ordered two cars which are to embody all the new ideas that can be incorporated in a trolley car to make it popular and economical — which means, to help the long-depressed street railways get more business and make some money. One car has been ordered from the Pullman Car & Manufacturing Corp., the other from the J. G. Brill Co. Each is directed to proceed independently and go the limit in improvements. Since it has been stated that the purchase of 1,200 street cars was contemplated in the proposed merger between the surface lines and rapid transit systems, it looks as though Chicago is going to see a practical experiment in redesigning street cars to bid for popular favor, following the lead of the steam railways.

Three years ago the electric transit industry set up an "Electric Railway President's Committee" with a fund of $500,000 to conduct a research for the development of a new street car. So far it has designed a new modern-looking stream-lined car and actually produced a new type of noiseless, easy-riding truck with rubber-cushioned wheels. But the research goes on, with no commercial production so far, and the Chicago Surface Lines has decided to take advantage of what the President's Committee has learned to date plus other new thought by the two car builders and get going.

The two experimental cars will be constructed of aluminum alloys with rubber-cushioned wheels, a new system of control to give speed for starts and stops, and special ventilation, heating and indirect lighting systems that are radical departures from past practice. They will be designed for 2 men, single-end operation. The driver will be seated. So will 58 passengers.

California Tax Row

Golden State takes pennies from sales and kicks from everybody.

CALIFORNIA'S business men and state executives have learned much about the intricacies of business and fiscal administration since Aug. 1, when California joined the growing list of sales-taxed states. After nearly 3 months the measure holds a place in popular conversation not even second to NRA.

It all started with the approval of a referendum measure in the early summer which shifted the counties' share in the support of public schools to the state. Local taxes on real estate were thus lightened, but new sources of state revenue became necessary. At a special session in July the legislature dropped on the governor's desk a retail sales tax and a state income tax, each with powerful support—and opposition. Labor argued against the sales tax which made no exemptions for food and other necessaries of life. Disputants answered that many weathy residents would find the famous California climate insufficient

compensation for an income tax assessment. In the end the retail sales tax was signed, the income tax rejected.

The California measure imposes a 2½% tax upon the gross receipts of anyone engaged in selling tangible personal property at retail, defined as selling to purchasers for use or consumption and not for resale. Manufacturers are thus made responsible for collecting a tax on sales to contractors, wholesalers, or even to retailers if the intention is not to re-sell. All of which seemed fairly simple until thousands of business men raised puzzling questions as to the application of the tax to a wide variety of transactions.

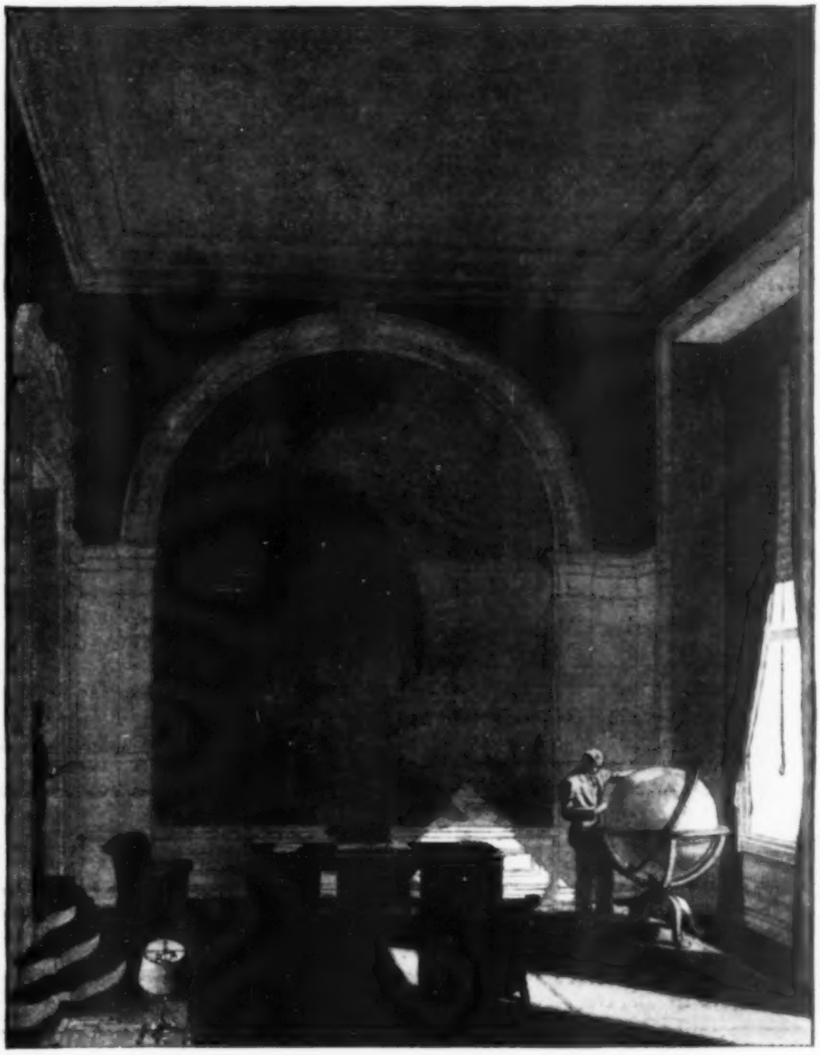
A Sex Problem

"How does the tax apply to baby chicks?" asked the state's important poultry industry. Answered the State Board of Equalization: "Where baby chicks or poultry are sold before the sexes are separated, to a purchaser who buys them with the intention of retaining the pullets for the purpose of producing eggs and selling the cockerels, the tax applies to the gross receipts from the sale of 40% of the chicks or poultry." Other industries demanded rulings equally tedious.

Important exemptions from the tax include theater and transportation tickets, sales of gas, electricity, and water, stock and bond transfers, sales of real estate. Sales of service business are also exempt, but the tax levy applies to the materials used. The barber pays a tax on scissors, shaving soap and bay rum, but collects no tax on shaves or haircuts. Advertising is exempted as are also the charges of advertising agencies. But the tax is applicable to paper, ink, and paint, engravers' and electrotypers' charges for plates, matrices, etc.

—And Collection Problems

At the outset the State Board of Equalization approved a "breakdown" system of collections with transactions of less than 15¢ exempt from tax, sales from 15¢ to 59¢ subject to 1¢ tax, from 60¢ to $1.05 subject to 2¢ tax, etc. Consumers quickly recognized the 1¢ toll on a 15¢ purchase as a charge of 6⅔%, on 25¢ purchases as 4%. When chain stores began advertising prices that included the tax, independents threatened an initiative to submit the measure to the people at a special December election. They were calmed by the Equalization Board's promise to authorize use of metal tokens of ⅛¢ denomination, each applicable in payment of the tax on 5¢ of sale. Whereupon the large department stores rose to say that they just couldn't handle their thousands of transactions under such a system and the initiative petitions began circulating again. Whereupon the Secretary of States ruled that the initiative could not qualify for the ballot of the special December election.



AAA Scoreboard

While farmers air their impatience, the farm relief program hews close to the line of long-term planning to solve "the paradox of plenty."

OF all the plans and programs that come from Washington, the agricultural adjustment programs deserve the most thoughtful study because they are long-time programs designed to correct fundamental maladjustments of production to consumption. Here is a scientific attempt to reduce acreage in accordance with market demand, to eliminate the surplus and to provide for adequate farm prices.

To be sure, the farmer is impatient and skeptical. Parts of the program, such as the corn and cotton loans, are plainly attempts to appease farm discontent rather than realistic long-term planning. Yet, on the whole, the program is as free from politics as can be expected in a democracy where the Administration must constantly have an eye on the political consequences of its acts.

The program not merely provides for adjustment of production to consumption but answers the anomalous situation that has arisen in which millions of unemployed have been suffering from want while the farmers have been subjected to the crushing effect of a surplus. Adjustment is made by taking surplus crops to feed the unemployed.

Some of the more important ventures of the AAA in planned production as applied to specific crops are:

The Corn-Hog Drive

Corn-Hogs. Two-year program to reduce corn acreage by 28% and hog farrowing by 25% in 1934. A processing tax will be levied on hogs for 2 years starting Nov. 5 at 50¢ per 100 lb. and to be increased gradually until Feb. 1, after which it will be $2 per 100 lb. A processing tax set at 28¢ a bu. on corn becomes effective Nov. 5, the same date as the hog processing tax goes into effect. Both taxes are expected to yield $350 millions. Processing taxes on competing products (sugar, beef, etc.) are under consideration. Conversion factors, floor tax, are announced. Corn products subject to tax include corn meal, corn flakes, table hominy, corn starch, glucose, syrups and sugars, corn oil, corn gluten feed and meal.

Receipts from processing taxes on hogs and corn will be paid out to meet the cost of pig and sow buying programs, to buy swine for distribution to needy, to compensate farmers who leave a portion of their corn land idle, and hog growers who curtail their output.

Benefits will be paid to corn farmers in the form of a rental of 30¢ a bu. on the preceding 3-year average production per acre of contracted acreage. Grower agrees to reduce acreage not less than 20%.

Adjustment payment of $5 a head will be paid on 75% of the average number of hogs farrowed on the farms of contracting producers during the past 2 years. To qualify for these payments, the contracting grower also must agree not to increase the average number of hogs bought and fed for market during the 2-year base period for hogs.

Immediate 4% loans on the basis of 50¢ per bu. at Chicago will be made to all farmers participating in the corn acreage reduction program. Corn must be stored under seal at the farm. Farm price of corn on Oct. 15 averaged 38.8¢ a bu.; the Chicago price was 47¾¢. Unofficial estimates are that $90 millions to $125 millions will be loaned.

Approximately 6.2 million pigs weighing 25-100 lb. and 220,000 sows were purchased and slaughtered at various processing points at a total cost of $35 millions in the recent emergency hog marketing program.

Cotton. Acreage rentals totaling $111,799,333 and options for 2,400,000 bales of cotton at 8¢ are now being paid and prepared for cotton producers who participated in the 1933 acreage reduction program. Total elimination was 4 million bales but final production, at 12.3 million bales, was almost normal. Carryover on Aug. 1 was 12 million bales against 4.5 million bales Aug. 1, 1929. Loans of 8¢ to 10¢ per lb. at 4% will be made by Commodity Credit Corp. on the 1933 crop. Producer-borrower must agree to participate in the 1934 acreage reduction program. Farm price on Oct. 15 averaged 9¢ per lb.

What Wheat Farmers Get

The 1934 acreage reduction plan proposes to limit cotton to 25 million acres, 60% of 5-year average. County associations are to be organized. Participating producers will receive acreage rentals and benefit payments.

Processing tax of 4.2¢ per lb. on cotton went into effect on July 16, to yield $130 millions. Floor tax and conversion factors were announced. Compensatory tax on competing commodities is under discussion. Proposal is 8.4¢ per lb. on paper for bags competing with cotton bags; 8.4¢ on rayon.

Wheat. Three-year wheat acreage reduction program of 15% of 5-year average acreage. Benefits payments are 20¢ a bu. when agreement is signed and approved and 8¢ to 10¢ (less local administration costs) next spring after farmer's compliance with contract.

By Oct. 26, a total of 570,263 farm-

Keystone

MILO RENO AGAIN—The professional farm holidayer (arms folded, glasses) is once more in the news, poses here with supporters. Farm strikes are harder to get going since the President reaffirmed his pledge to the farmers.

ers representing 52 million acres had agreed on a 15% cut in the 1934 crop, a reduction of approximately 7,783,000 acres. Benefit payments total $102 millions on applications which have been handled thus far.

Administration is on county basis. Processing tax on wheat at 30¢ per bu. began July 9, 1933. Floor tax became effective. Conversion factors for flour, bread, etc. were announced. Compensating tax was levied on imported articles manufactured from wheat.

Federal Surplus Relief Corp. purchased 6.8 million bu. of wheat.

Butter. AAA has incorporated the Dairy Marketing Corp. to handle surplus butter (probably 9 million pounds). Purchases of butter will be made from processing taxes on milk and its products and will be distributed by the Federal Emergency Relief Administration. Quantity, prices, terms and place to be decided. United States stocks of butter on Oct. 1 totaled 174,857,000 lbs., twice the volume on Oct. 1 last year, and 50% greater than the Oct. 1 average for the last 5 years.

Milk. Diversity of conditions has made it inadvisable to deal with this commodity on a national basis. Agreements have been made within definite milksheds. These agreements are made between the producers and distributors, who usually are also the processors. The standard agreement is to fix the price of milk to consumers (except for relief) and then set a minimum price to producers.

Questions of quality, distance from markets, surplus production and other factors that usually bedevil the milk industry are settled in the agreement. Many important cities are now either working under such a code or are working out a code.

No Less Wheat

Eligible growers' pledge to cut wheat acreage nullified by ineligible farmers' new planting.

THE farmer not eligible for the government bonus for wheat acreage reduction is defeating the $100 million program. He has so far, even in face of unfavorable sowing conditions in the Pacific Northwest, increased his plantings of winter wheat to such extent as almost to offset the 15% reduction promised by farmers who have accepted AAA proposal.

This was disclosed when Nat C. Murray, national crop expert, made public his preliminary estimate of 1933 winter wheat acreage. His estimate is that farmers have seeded 39,471,000 acres, a reduction of but 431,000 acres, or 1.1% from acreage of a year ago.

Increases are indicated in every state east of the Mississippi with the possible exception of Ohio and Maryland, while in Kansas, which had more than one-fourth of our winter wheat area last year, materially increased sowings in the eastern part of the state partially offset decreases in the western part. For the state as a whole, a reduction of 9% is estimated.

But even this 1% national decrease may be wiped out. In Pacific Coast states, seeding has been delayed by dry weather. Planting is still going on there and since recent weather maps indicate the district was receiving some needed moisture, completion of seeding may find acreage as large as last year.

Secretary Wallace recently stated that applications had been received from farmers desiring to reduce their acreage some 7,780,000 acres in return for the promised bonus, amounting in their case to more than $100 millions. He did not know, or did not mention, that the farmer out of production for the last 2 years, and not eligible under the plan, is back in the picture on a greater scale than ever.

Another Gold Bloc

Mining companies organize to protect their interests in the new gold set-up.

THE prospect of increasing competition between governments in the gold markets of the world has united American gold producers, for the first time in their history. Last week in San Francisco 300 delegates, representing gold mining interests in California, Oregon, Washington, Montana, Nevada, Utah, Colorado, New Mexico, Alaska, and the Philippines, formed the Gold Mining Association of America. Gold producers will pay in a levy of 3¢ an ounce on gold output up to $5,000, non-producing companies will contribute 1¢ per employee per day.

The small producer feels that he has suffered by not being organized and the entire industry recognizes the need for unity in the present highly complicated gold situation.

The San Francisco meeting passed resolutions calling on Congress to simplify the national Securities Act, and authorizing an investigation of the rising prices of mining and milling supplies.

Wine Rampage

Multitudes rushing into the wine business threaten headaches unless this becomes a wine-drinking country.

The wine industry stirreth itself aright, it girdeth its lean loins, it prepareth to battle with beer and distillates for the national thirst. The beer business approaches saturation, and liquor is thought to be overdeveloped—this before the 18th Amendment is removed. Similarly, such multitudes are crowding into wine production, importation, distribution, speculation, that soon after repeal the time may come when overproduction biteth like a serpent and price-cutting stingeth like an adder.

It is said that America isn't and never will be a wine-drinking nation. This commercial adage may have to be revised when the force of the "educational" and sales drive for wine becomes fully effective. There is a regular Klondike stampede of middlemen into the wine business. Speculators have supplies abroad. Formerly 2 or 3 dozen national distributors were sufficient to supply the country. It is estimated that we shall have 1,000 importers of wine and liquors by the time repeal gets here.

A Misunderstood Order

Foreigners got a severe attack of trembles recently when the federal government stopped importations of "medicinal" wines and liquors. France thought Uncle Sam was looking straight at it and paled behind the whiskers. But agitation was soothed when word came from Washington that there was no intent to stop imports after repeal; the embargo was a temporary scotch to prevent houses possessing medicinal permits from stocking heavily during the remaining prohibition period, thereby beating competitors to the barrier.

Many newcomers are strange to the wine business. One is Dunhill Wines & Spirits, Ltd., the same Dunhills who are world-famous for their pipes and tobacco. Mouquin, Inc., does not fall in this category. Its head, Louis H. F. Mouquin, is of the third generation of restaurateurs and wine dealers. Formerly it sold foreign and domestic wines throughout the country; it now claims to have over 3,000 active accounts on its books. Mr. Mouquin points out that wine buying and wine selling is a fine art that must be carefully studied. This preachment has been put into practice through a "school" where salesmen, hotel and retail executives are initiated into the hereditary wisdom of the line.

Another old timer back in the business is Park & Tilford, New York. This firm beat the gun by broadcasting full page newspaper advertisements for wines and liquors to be delivered after repeal. It claims a $10-million investment in stocks. Sixty salesmen are now scurrying about the country booking orders. Big grocery wholesalers are getting busy, too.

Developments are cited to support the contention that America is going wine-conscious. (1) More retailers and wholesalers are going to handle the beverage; competition and common sense will force them to a better job of merchandising. (2) America is now drinking more wine than before prohibition, a result of an appetite created by bootleg and home vintages.

More Places to Buy

There can be no doubt about the greater number of retail outlets. Formerly consumers bought from a few specialty stores. From now on things are going to be different. Drug stores, grocery stores, chains, plan to stock wines. Excellent results from beer strengthen this determination. It is said that 200 of the A.&P.'s 17,000 stores will offer wine. From France comes news of a Franco-American syndicate which has created Wine Cellars, Inc., to operate a national chain of stores.

Mail order houses are praying over the problem. Will rural districts, always strongest supporters of catalogue sales, be antagonized by wine and liquor listings? It is reported that Sears, Roebuck has rejected the temptation, while Montgomery and others are still flirting with it.

Department stores in big cities were volume wine sellers before prohibition. They now promise to go after the business with even greater ardor. In New York Macy's, Bloomingdale's, etc., have jumped back into the wine trade.

A Wild Market

With these elements advertising to beat the band and stumbling over each other to place orders, it's no wonder the market has gone a little loco. A California salesman who got orders for 125,000 gallons in a few days was called off by his house which wanted to see what happened to prices before turning loose any more of its holdings.

California is sitting pretty. To crown the delights of its vineyardists, there is a short crop this year. Grapes that brought $10 to $20 a ton in 1932 are now going for $30 and $35. No longer do the fat clusters have to travel across-country to the Italian and Jewish buyers in the East (*BW—Sep7'29*). They are being squeezed in the good old way—in large tonnage at California plants. The change is dramatized by statistics of wine grape receipts at New York. Prohibition made the New York terminals the Wall Street of the grape business.

Business Week

MERCHANDISING IT—Vintners and distillers are catching up on packaging developments during the last 14 years. New bottles already show results in moulded plastic caps, metallic foil seals and labels and recent possibilities of the bottle makers' machines. Here is one place they find inspiration—the bottle library of Owens-Illinois, maintained for reference only.

This year 17,000 cars were received up to Oct. 27; last year there were 31,813. Here is a drop of 45½%. Grapes are bringing $80 a ton up. (A ton of grapes makes about 150 gals. of wine.)

There remains only the large and formidable question mark as to whether the American public is willing to swallow the cheering flood. "Sure it will," chants the ardent distributor.

In 1914 we drank 52½ million gallons of wine, of which 7½ million were imported. A credible estimate by Senator Millard E. Tydings, of Maryland, puts the 1927 consumption at 152 millions—an increase of nearly 300%.

Government officials hope these guesses are correct. The present internal tax on still wine runs to $1.10 a gallon, to which imports add a $1.25 tariff. On sparkling wines the tax is $1.92 a gallon, the duty $6. (These rates probably will be adjusted by the next Congress.) Wet states are sure to add as much as they can get away with. At any rate wine will contribute generously to the $500-million federal revenue expected from all alcoholic beverages.

Radio Sales

Low-priced models tapped low-income market for big gains.

CALL the low-priced midget radio set a squawking box if you will, but still it has been going places for the radio industry. The Columbia Broadcasting System with the help of the U. S. Census Bureau has just compiled some interesting figures on the present situation of radio in the homes of 6 income classes. It shows since 1930 the following increases in the different strata of the market—

Income	*1930*	*1933*	*% Increase*
Over $10,000	78%	87.8%	12.5
$5,000 to $10,000..	73.7	85.7	17.4
$3,000 to $5,000...	66.8	80.7	20.8
$2,000 to $3,000...	54.2	72	32.7
$1,000 to $2,000...	34.7	57.8	67.1
Under $1,000.....	13.6	36	164.7

In short, the market for radio sets among families with incomes under $1,000 per year has increased 13 times as much as the market in households earning $10,000 a year or more, though in that field there has been a growth of one-eighth in 3 years. As Columbia puts it, the wedge of homes owning radios, as shown in any graph weighted for population, has broadened at the bottom until it has changed in shape from a wine glass to a beer glass.

In all, 17 millions families now own radio sets. The industry estimates that 6¾ millions of these sets are obsolete and offer a replacement market. Thirteen million households are not yet sold.

Cocoa Crisis

All-time lows depress African growers and American traders, but not the British "combine."

BEFORE a thatched hut on the Gold Coast of West Africa, Mr. Mumbo Jumbo, bituminous colored native, gazes sadly at the waning contents of the family gin bottle. Mr. Jumbo has been gathering his crop of brown, wrinkled cocoa beans which he barters for civilization's refinements, the most urgent of which is the aforesaid gin. In distant London certain silk-hatted Britons con the current cocoa quotations. Their pink faces display as much satisfaction as their vaunted self-possession will permit. For Mr. Jumbo's ill wind blows them much good.

The cocoa situation is all shot. World carryover is 122,000 tons, an all-time high, 33,000 tons more than last year's figure. At the same time, prices are at all-time lows. The "gold price" slid to 2.90¢ a pound. (It was 11½¢ in 1926.) A normal crop is now being resentfully picked. In London this month a conference will be held at which all cocoa producing countries will be represented. While exporters of British goods may deplore the reduced purchasing strength of their Gold Coast customers, the British cocoa combine can generate no genuine anguish.

Here's the Routine

Cocoa is picked and placed on the market within a very brief period. The natural price slump resulting is usually accelerated by short selling from London traders. Thus the dominant supply of world cocoa is bought for little to be sold gradually later for greatly enhanced prices. At the approach of the happy buying ritual this year, conditions in New York favored His Majesty's cocoa barons.

New York has its Cocoa Exchange. When that inflation talk began last spring cocoa traders got on the band wagon and started buying. Domestic commodity markets went haywire—thanks to Doc. Crawford (*BW—Aug 5'33*) and other optimists. Unnoticed in the roar of its larger brethren, cocoa indulged in a wild spree of its own. By July a high of 7.58¢ a pound for December delivery was achieved.

Wall Street chart-masters have a name for the mid-July apex of the commodity line. They call it the Crawford Steeple. Cocoa reached the top on the 18th. Its descent from the Crawford Steeple will be forever remembered in the trade. British bears began to hammer unmercifully at American buyers. Up to then, record trading for a single day had been 700 lots. After the break 770 lots were sold, the next day 1,400, the next 2,300. It was another British victory. Cocoa finally settled to around 4½¢ a pound on the New York market.

All this is bad for Mr. Mumbo Jumbo, the producer, and worse for American traders who bought in expectation of high prices. This community of unhappiness has been recognized by Eugene A. Canalizo, big New York cocoa broker. Across the 8,000 intervening miles he stretches a hand and carries a word of hope. Mr. Canalizo proposed a producers' strike. Through bulletins he advised growers in Accra and Brazil not to sell this year's crop. The publicity is aimed primarily at the columns of the 2 or 3 dingy Accra weeklies printed for the negroes who can read the news and the ads extolling the potency of British liquors. It is too early to judge the result, but it is pointed out that if the native chiefs agree they can apply primitive discipline that will keep the farmers in line.

The Canalizo Plan

Now Mr. Canalizo fires another shot. He has announced a plan, for the consideration of the London conference, that would destroy 8% of the world crop for 2 years. Cost would be defrayed by a "rehabilitation tax." Skeptics do not believe that Mr. Canalizo will get to first base because the British want prices down at the moment. American consumers are interested. They eat 40% of all production, mostly in chocolate bars. The Accra district raises 55% of the world supply, Brazil coming next.

Mr. Mumbo Jumbo thinks back to 1926, and tries to squeeze a consoling drop from his failing gin bottle.

Canada and NRA

Newsprint industry in Canada to cooperate with United States producers; huge market at stake.

THE United States is the world's largest market for newsprint. For several years Canadian producers have supplied more than 54% of this market. More than 80% of the output in Canada is sold in the United States.

There is another important link between the Canadian and United States producers of newsprint and the American market. The largest American producer, International Paper & Power Co., has larger mills in Canada, near the source of woodpulp supply, than in the United States. American producers operate important Canadian mills.

With these facts in mind, it is not

surprising that the newsprint industry in the 2 countries was one of the first to devote special attention to the provision in the NIRA that any industry operating under a code may appeal to the President for relief from foreign competition. With shorter hours and higher wages decreed in the United States, Canadian imports became a distinct and early threat.

Bennett Says, "No"

For some months there were hopes that Canada's major export industries might develop their own NRA system with codes specifying maximum hours and minimum wages similar to those in the corresponding industries in the United States. Recently, Premier Bennett, of Canada, has announced flatly that he will not consider any legislation which will raise production costs.

Strong American interests in the Canadian newsprint industry helped to bring about a conference in Washington last week to work out a program which will maintain harmony in the industry and work to the mutual advantage of both Canadian and United States mills. With the whole-hearted cooperation of General Johnson, the representatives at the Washington meeting agreed that they needed further instructions before entering into a long-term plan, but that until they could get together some time in November, the following regulations would be observed:

No price will be fixed for any delivery after 1934.

No price will be fixed for 1934 delivery without provisions for its being increased on Apr. 1, July 1, and Oct. 1 to the extent, if any, necessary to bring it in line with the then generally prevailing contract market price at the point of delivery.

General Johnson and the industry seem satisfied that there is going to be no immediate price war in the industry, and that the Canadian producers are likely to form their own "baby" NRA to keep them in the good graces of the huge American market.

Strained Relations

Beyond this one industry, however, relations between Canadians and Americans are strained. A few months ago there was every expectation that Canada and the United States would get together on a new trade agreement planned to increase trade between the 2 countries. Adoption of NIRA in the United States, however, and the flat refusal of the Canadian government to develop a parallel plan, has shattered most of these hopes. It looks now as though American producers, working under the higher costs of the code system and so faced with increasing competition from Canadian producers, would appeal to President Roosevelt in increasing numbers for new protection for their industries.

Business Abroad

Roosevelt gold policy center of all attention: Britain skeptical; France jittery; Germany disinterested. New French government not expected to weather budget battle. Litvinoff sails for United States; early recognition expected. Japanese textile industry expands.

Europe

EUROPEAN NEWS BUREAU (*Cable*)—Litvinoff's secretive but triumphal journey from Moscow to Cherbourg where he sailed for the United States, France's new government, Germany's apology to Moscow and the renewal of press relations, Czechoslovakia's proposal for a planned economy for the entire Little Entente (Czechoslovakia, Rumania, Yugoslavia)—all these ordinarily significant developments were obscured this week by the momentous gold policy announced briefly by President Roosevelt last week but enlarged this week. Europe is discussing only this problem, is speculating widely on the probable outcome.

Reactions varied all week. Britain was skeptical. The City denies that there is any cooperation between the Bank of England and the Federal Reserve, foresees a possible currency battle if Roosevelt is willing to go very far in the purchase of gold in the world market, but has hopes that utterances this week are indicative of a certain willingness to talk international cooperation if certain European nations are now in the mood. The British will not be surprised if the French franc is pushed off the gold standard if the Roosevelt policy is pursued for any length of time. With the French franc would go the belga, the Swiss franc, and the Italian lira (it is only theoretically on the gold standard). When these currencies slip, the British foresee a period of currency chaos leading ultimately to a revival of the monetary section of the World Economic Conference at which some dollar-pound-franc ratio will be fixed again.

Traders in London, quite opposed to theorists and bankers, profess complete bafflement over the whole Roosevelt plan and do not believe that the present differing value for the internal and external dollar can last for long. They believe that President Roosevelt has inadvertently given an impetus to the recent trend toward British imperial nationalism, on the basis that the uncertainty over the future of the dollar makes a closer sterling family imperative, and will lead to stronger trade agreements and tariff action against United States goods later.

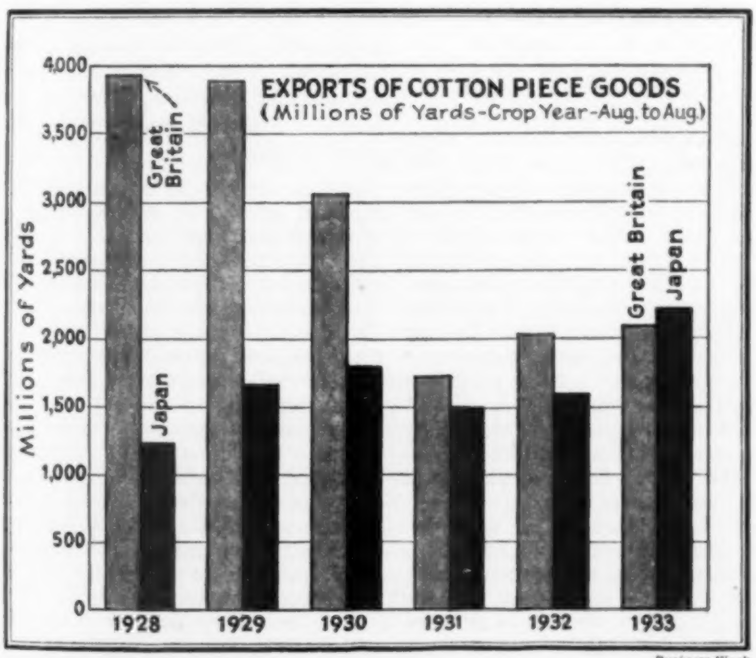
France Is Worried

The French are puzzled and decidedly on the defensive. The attitude this week is to "wait and see" what Roosevelt will do next. The vast amount of gold hoarding is evidence that not a small group expects the franc to be pushed off gold, while another group believes that Roosevelt would defeat his own purposes if he pushed the franc off gold because gold, unpegged to any currency, loses its value as a price lifter, and because American refugee funds would flee Paris if France abandons the gold standard. This would create a demand for dollar exchange which would push the dollar up rapidly. France obviously has a bad case of jitters since this last Roosevelt plan was announced.

Outright inflation is expected in the United States, and before long. Reasoning: the NRA has failed to accomplish all that it planned to do before winter, can't seem to move fast enough; the whole Washington program depends on a marked rise in prices; the new gold policy will not prove as effective as President Roosevelt expects; outright inflation is the next move.

Expecting this, Europe looks for higher prices in Wall Street and a rush to invest in tangibles which will push up commodity prices. There will probably be another rush of floating speculative funds—estimated to total about \$1 billion—from Paris and New York to London.

All attention is focused on the first U. S. purchases of gold in the European market. On these depend the next move all around.



JAPAN CAPTURES A MARKET—In the year ending July 31, Japan for the first time in history sold more cotton cloth in world markets than Great Britain. India was one of the markets exploited by Japan until British influence caused the Indians to increase import duties on non-Empire goods to 75%, while Lancashire paid only 25%. Japan retaliated by refusing to buy India's raw cotton. Officials of both countries are trying to settle their differences at a conference in Simla now. In London, later this year, Britain and Japan will attempt to allocate world markets, end the present trade war.

Germany

Germany apathetic to Roosevelt gold plan because of isolation of mark. New organization to bolster export trade.

BERLIN (*Cable*)—Roosevelt's new dollar-cheapening policy is watched more or less apathetically in Germany. The mark has for so long been artificially isolated that this new complication will have little more effect on it than have previous crises.

Germany is only technically on the gold standard. There are, in fact, 2 currencies in Germany: one for internal use, the other for foreign trade. Internally, the mark is worth as much as it

ever was. Also, Germans paying debts abroad offer marks valued at their gold par rate. But when they sell abroad, Germans accept payment in "blocked marks" which can be purchased by foreigners at discounts ranging up to 50%. This is the policy Germans feel forced to pursue to give their exports a fair chance in a world market where they must compete with quotations in depreciated dollars and sterling.

Isolated Mark

If there is any agitation among Germans over the decline of the dollar on foreign exchange, it is among the exporters. The extent to which the Roosevelt policy is able to cheapen the dollar will determine the extent to which Germany must discount blocked marks which are accepted in payment for German goods. The average German is too much absorbed in Hitler's policies of economic self-sufficiency to be greatly concerned yet with the new scheme.

The grave concern prevailing in German government circles in regard to the gloomy outlook for export trade was again manifested recently in a thorough reorganization of the country's export promotion machinery.

The German "Zentralstelle fuer Aussenhandel," a body somewhat similar to the Bureau of Foreign and Domestic Commerce at Washington and which has existed in Germany as a semi-official organization sponsored jointly by the Foreign Office and the Ministry of Economics, has now been advanced to the rank of Federal Foreign Trade Board with wider powers and eventually higher appropriations. A "foreign trade council" consisting of 15 prominent business men from the import and export trade is to advise the government on the best means of promoting German exports. Eighteen district offices located in the main centers of German export trade and industry are to ensure a live contact with local interests.

Significantly, the district offices are to be headed largely by the presidents of the local chambers of commerce.

France

Little confidence in new French government. Paris urges parley to settle trade war with Brazil.

PARIS (*Wireless*)—France is not impressed with the new ministry headed by Albert Sarraut and fully expects that it is too weak to last for long in the face of the knotty budget problems and the newest threat to the French franc from Washington. It is popularly believed that the next government formed will be a sort of coalition of center parties despite the fact they are not widely popular. It is a matter of choosing the least objectionable, and France is likely to show a preference for this group over either extreme Right or Left control of the government.

France retaliated this week to the recent Brazilian 100% increase in duties on French imports by levying a 100% surtax on all Brazilian imports, but Paris at the same time expressed a desire to enter a parley to iron out present misunderstanding between the 2 countries. Paris claims to be protecting commercial interests which have a vastly unfavorable balance of trade with Brazil and have been annoyed by their inability to get payment for their goods in recent years. France has paid Brazil an average of 250 million francs a year more than is due French exporters from that country, and yet these exporters have been unable to collect.

Great Britain

London expects inflation in U. S. India promises Lancashire preference for cotton goods. Austin sells more cars. More signs of recovery.

LONDON (*Cable*)—Britain's chief interest all week has been the Roosevelt plan to push up prices by pushing down the dollar through the purchase of gold on the world market at prices fixed in Washington well above the prevailing world level. At the end of the week the country is almost as baffled over the outcome as at the beginning. Some sections of the City believe that the RFC will buy sterling against dollars and thus absorb gold coming onto the London market. Others believe that, after a short experimental period, some announcement will be made to the effect that the new policy is no better than the old and a varying statutory price will be fixed for gold imported into the United States. And London believes that outright issue of paper money in the United States can be expected soon.

The general business tone is excellent. The London and North Eastern Railway has announced that, as a consequence of a return to better trade conditions throughout its system, it will spend £2.3 millions for new locomotives, rolling stock, and bridges so as to be ready to meet the greater demands which will develop as business expands.

From India has come the news that the Indian government will fix a 50% ad valorem duty on most cotton textiles, specific duties on others, giving Lancashire 25% preference in all cases.

Raising of the tin quotas to 44% was well received but it is regarded as a conservative move, most of the trade having expected 50% quotas.

The Austin Motor Co., which specializes in 8-, 10-, and 12-hp. models, reports increased sales, during the year ended July 31, of 42% in the home market and 61% in the export trade. Continental contracts completed show an increase of 50% over the previous year. Dividends for the 12 months amount to 20% on preferred ordinary shares, 25% on ordinary shares, and a bonus of 75% on ordinary shares, making a total distribution of 100% on the latter. Completion during the year of pension, life-insurance, savings and sickness plans for employees was announced, to which the company is making large contributions. Austin cars are built in 50 models, the lowest price being £105, or about $500.

In addition to other signs of economic progress, it should be mentioned that investment trusts, whose portfolios were badly depreciated by the slump, are beginning to pay dividends again, and that certain food companies are doing better. Cow & Gate—baby food preparations—is giving its shareholders a one-in-five share bonus, and the A. B. C. restaurants (popular city caterers) are expected to jump their distribution from the 5% of recent years to 7½%.

Stimulation of the "oil from coal" technique in England is affecting the Dominions. Imperial Chemical Industries, Ltd., are expected to cooperate with Australia in a £10 million scheme to produce 50 million gallons of gasoline yearly. At present, Australia produces only 5 million gallons a year.

Far East

Japan astonished by daring Araki proposal. Power companies plan conversion projects, starting at home. Dyestuff industry to expand in Japan.

GENERAL ARAKI, Japan's potent War Minister, granted an official interview in Tokyo this week in which he declared he would like to see an 8-Power conference in Tokyo in 1935 where all the nations with special interests in the Pacific would get together and state their positions, discuss their problems.

Never before in Japanese history has a minister spoken "officially" without the consent and agreement of the whole cabinet. But never before has Japan attempted quite so bold an expansionist policy in Asia. General Araki is the leader and spokesman of the military group which carried out this program quite without the leadership of the majority of statesmen in power.

It is not likely that the conference will be held, but the struggle between the party diplomats and the military in Japan, which is now precipitated, will be worth following. The outcome will be vitally important to Japan's future.

Japan's 5 greatest electric power companies, all of whom have borrowed abroad in the past, are planning to con-

vert domestic debentures in the near future and may ultimately carry out plans to redeem their foreign loans. Business results in the last year have been rather good for all 5—Tokyo Light, Toho Power, Daido Power, Ujigawa Electric, and Nippon Power—for the special needs of the munitions industry and the general revival of manufacturing have increased their loads and their revenues.

Nippon Power recently led the way in the domestic conversion of 7% debentures to a 5%, 10-year issue.

In line with the general expansion of local industries to meet domestic demands, the Japan Dyestuff Manufacturing Co., of Osaka, will increase capitalization from ¥7 millions to ¥15 millions, and expand capacity accordingly.

Latin America

Franco-Brazilian foreign exchange war bitterly pursued. Japanese underbid British and Americans in Mexico.

THE Franco-Brazilian foreign exchange-tariff war became more intense this week when Brazil ordered London agents not to pay the instalment due on the Brazilian loan in Paris. France promptly retaliated with a decree trebling duties on all imports from Brazil, including coffee. More than 90% of France's coffee is supplied by Brazil. The new order raises the duty to 60¢ a pound, which virtually prohibits the entry of Brazilian coffee. Paris claims that Brazilian merchants owe Frenchmen about 120 million francs for goods supplied last year, while Frenchmen paid more than 300 million francs to Brazil last year for various imports.

In contrast to this tension, New York bankers have received word from Rio de Janeiro that the commercial situation in Brazil is improving and that it is likely that dollar exchange will loosen up shortly.

Only 2 news items from Mexico attracted special attention this week. American steel interests who have been bidding on an order for 25,000 tons of special pipe for one of the recovery program projects in Mexico City report that Japanese producers submitted lower bids than either British or American firms. Refugee gold is reported flowing into Mexico for reexport. Mexicans believe that most of it is being smuggled into the country from Cuba, though some comes from the United States.

There are fresh signs of political unrest in Argentina, Brazil, Chile, and Uruguay, but they are not yet serious. The strike situation in Puerto Rico, and much more importantly the political situation in Cuba, are rousing concern abroad.

Bond Notes

Arkansas suits should yield important precedent in repudiation cases. Germany offers 75% cash. Sweden bets dollar won't cheapen.

THE whole business of municipal finance is concerned with the outcome of a series of suits to establish the validity of $146 millions of the obligations of the State of Arkansas. This litigation will determine the legality of the plan by which the state seeks arbitrarily to rewrite the contract on which most of the bonds were sold and to exchange them for a new issue bearing 3% interest. It is hoped that the decision may afford some new protection to investors against states which seek even a partial repudiation of contracts under the protection of immunity from suit.

A Bondholders' Protective Committee is seeking to make permanent a temporary injunction restraining the state from diverting to other purposes taxes pledged for the protection of these bond issues and to annul a recent legislative enactment reducing by 50% automobile license fees which were pledged for the service of the state's securities.

Decision is expected in 30 days.

If the courts hold that the state is immune from prosecution in the case now pending, the State of Pennsylvania, which holds $200,000 of Arkansas state highway bonds, will prosecute its suit in the federal courts.

Reich Offers Scrip

Developments of the week seem to indicate that the best American investors can expect by way of interest on German bonds is the offer of 50% in cash and 50% in reichsmark scrip, presently redeemable at one-half of its face value. This offers the investor a cash payment of 75% of the face value of its coupon.

Refunding plans announced by the Swedish government suggest that the Swedes are willing to back with their own money a fixed opinion as to the probable outcome of Mr. Roosevelt's plans for inflating the dollar.

It is proposed to exchange at the option of the holder internal 3½% perpetual krona bonds for the $30 millions of 5½% bonds due in 1954, and largely held by Americans. To compensate for the lower interest rate the government offers 2,300 principal amount of krona bonds for each $500 bond. This gives the American bondholder the krona at 20.83¢ as compared to a current market of about 24.45¢, and a parity of 26.79¢.

The significance of the offer lies in the fact that the issue is callable 12 months hence. Observers see in the offer confidence that dollars will not be much cheaper next year, or that an international gold contest may force Sweden to join the inflation parade.

Figures of the Week

Steel operations again decline as consumers delay. Rail price accord should stimulate production eventually, though tardily. Public projects at last reach contract stage and boost construction volume. Commodity prices sag in spite of gold buying.

FURTHER developments in the gold-buying policy of the federal government is thus far not exerting the inflationary effect desired. Commodity prices, as well as stock prices, are behaving in a most unorthodox manner. Lack of specific knowledge as to the scope of the new monetary policy is being blamed for the sagging of prices. A waiting policy is being adopted on every side. Heavy industries are still curtailing operations.

On the other hand, the Administration is cheered at the progress being made in the settlement of strikes. Even Ford has unbent to the extent of agreeing to submit data on wages and hours to the duly appointed authorities administering the automobile code. Perhaps the acceptance of the principle of collective bargaining will follow, thus bringing to a close an embarrassing situation in a major industry. The farm strike in Western states is waning. September exports rose 22% over the preceding month, partly a result of higher prices, but nevertheless representing some increase in volume.

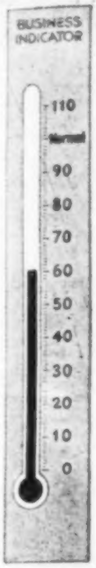
Settlement of the rail price problem by the simple device of splitting the difference between the contending parties brings to an end the petty bickering that characterized the proceedings. No doubt the final price of $36.375, a unique quotation to an industry that has been accustomed to the round figure of $43 from 1922 until the fall of 1932, will not please the rail mills. They have long contended that the price was not exorbitant in view of the severe specifications required. The 15% cut from the 10-year average was accepted without protest in order that no further delay in starting up the mills should ensue. Just how much of the more than 844,000 tons of rails in the hands of Coordinator Eastman will be ordered at this price is not yet known. Some of the railroads were holding out for a $35 a ton price. Nor is there much prospect that tonnage will be specified soon enough to support the rapidly slumping steel operating rate. Probably most of it will be put over until after the first of the year. And the ICC will have to pass upon the loans of each road before the RFC can extend the necessary funds.

At any rate, the steel industry must be comforted to know that some tonnage is in sight, even though it is a little more remote than could be desired. Current business is so slack that the American Iron and Steel Institute estimates that the operating rate is barely over 26% compared with 31.8% during the last week of October. The figures in our table for a year ago and for the 5-year average are those of the Dow, Jones Co., representing unofficial estimates. Public works tonnage is also on the horizon, but little of it has reached the mills.

Aside from these two certain but more or less distant sources of steel business, there is little to hold the present sagging rate. Automobile makers are not expected in the market for any substantial tonnage before December, according to latest reports. The strike of tool and die workers remains un-

BUSINESS WEEK WEEKLY INDEX OF BUSINESS ACTIVITY	Latest Week	Preceding Week	Year Ago	Five-Year Average (1928-1932)
BUSINESS WEEK WEEKLY INDEX OF BUSINESS ACTIVITY	*60.4	†60.5	54.4	......
PRODUCTION				
Steel Ingot Operation (% of capacity)	26.1	31.8	19	52
Building Contracts (F. W. Dodge, daily average in thousands, 4 weeks' basis)	$5,287	$5,085	$4,899	$14,448
Bituminous Coal (daily average, 1,000 tons)	*1,172	†1,118	1,308	1,590
Electric Power (millions K. W. H.)	1,622	1,619	1,533	1,687
TRADE				
Total Carloadings (daily average, 1,000 cars)	108	111	107	156
Miscellaneous and L. C. L. Carloadings (daily average 1,000 cars)	69	70	69	100
Check Payments (outside N. Y. City, millions)	$2,951	$3,145	$2,587	$4,994
Money in Circulation (daily average, millions)	$5,627	$5,665	$5,608	$5,044
PRICES *(Average for the Week)*				
Wheat (No. 2, hard winter, Kansas City, bu.)	$.85	$.75	$.43	$.79
Cotton (middling, New York, lb.)	$.098	$.095	$.062	$1.24
Iron and Steel (STEEL, composite, ton)	$31.59	$31.59	$29.32	$32.77
Copper (electrolytic, f.o.b. refinery, lb.)	$.079	$.075	$.051	$.109
All Commodities (Fisher's Index, 1926 = 100)	71.6	71.5	60.6	80.9
FINANCE				
Total Federal Reserve Credit Outstanding (daily average, millions)	$2,530	$2,512	$2,222	$1,690
Total Loans and Investments, Federal Reserve reporting member banks (millions)	$16,467	$16,592	$17,066	......
Commercial Loans, Federal Reserve reporting member banks (millions)	$4,959	$4,970	$5,252	......
Security Loans, Federal Reserve reporting member banks (millions)	$3,584	$3,673	$3,822	......
Brokers' Loans. New York Federal Reserve reporting member banks (millions)	$731	$815	$352	$3,048
Stock Prices (average 100 stocks, Herald Tribune)	$94.88	$93.81	$84.67	$135.77
Bond Prices (Dow, Jones, average 40 bonds)	$83.06	$84.02	$78.92	$89.82
Interest Rates—Call Loans (daily average, renewal) N. Y. Stock Exchange	.8%	.8%	1%	3.6%
Interest Rates—Prime Commercial Paper (4-6 months) N. Y. City	1¼%	1¼	1¾-2%	4.2%
Business Failures (Dun and Bradstreet, number)	290	282	550	505

*Preliminary †Revised



The Index

The weekly index of general business activity, first of its kind, is compiled by *The Business Week* from 8 series of weekly figures—steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For any further information, write the editor.

settled, and hinders new model production. There is even some doubt if enough cars can be assembled for the January shows and dealers.

September sales of passenger cars, according to Polk, reached 157,976. Trucks sold numbered 31,281. In the first 9 months of 1933, over 1.2 million passenger cars were sold compared with 943,163 for the same period of 1932, and 1,096,664 in the whole year of 1932. Likewise truck sales are 26% above the first 9 months of 1932, and almost 2% greater than the entire last year total.

Pig Iron Slumps

Pig iron production in October declined 14% from the September daily rate, according to *Iron Age*. Eleven furnaces were blown out during the month. This forecasts what may be expected of the steel report for the same period.

Steel company earnings for the third quarter are on the whole encouraging. Republic Steel, third largest producer, reports a profit for the first time since the second quarter of 1930. National, Wheeling, and Ludlum companies are also operating in the black. Big Steel reported a net loss of $2.7 millions compared with $20.9 millions during the third quarter of 1932. Bethlehem showed a net loss of only $283,097 compared with $5.4 millions during the same period a year ago.

October construction continues to maintain a favorable spread over both September and a year ago. The bulk of contracts are those of publicly financed projects, though even private building for non-residential purposes is running higher than a year ago. Some $66.1 millions out of a total of $99.4 millions of awards signed through Oct. 21 involve public works and utility undertakings. These are already greater than those of the entire preceding month and also run higher than October, 1932, totals. On a daily basis, the rate still remains over 50% above September's and nearly 57% above the rate of a year ago.

Both residential and non-residential building contracts improved during the third week of October. The former have reached slightly more than $13 millions in 3 weeks, a 24% decline from the daily rate of September, and a 17% decline from last year's rate. The latter have reduced the spread from the September daily rate to 25.5%, and bettered last year's rate by 5%.

Soft coal production is regaining its normal upward trend. Labor difficulties in "captive" mines are still not altogether eliminated, even though the steel companies, after several weeks' delay, agreed to settlement terms. Insurgent labor leaders are prolonging the strike. The historic company union of the Colorado Fuel & Iron Co., now in receivership, is slated to pass into oblivion, after 20 years of operation following the "Ludlow massacre." Employees have voted 877 to 273 in favor of the United Mine Workers.

Electric Power Production

A slight improvement in electric power production during the week ending Oct. 28 arrests the downward trend that has been in progress almost uninterruptedly since Mid-September. The Middle Atlantic states contributed the bulk of the gain. Its real significance cannot be seen for another few weeks.

Carloadings turned downward during the week ending Oct. 21, leaving the margin above a year ago barely more than 1%. Only less-than-carlot freight ran counter to the trend. September earnings are estimated a little below August, though still above the net operating income of a year ago.

Transactions covered by checks which represent the bulk of business dealings declined very moderately during the week ended Oct. 25, so that the spread over a year ago reached 14% in the 140 centers outside of New York. Financial cities, such as New York, Philadelphia, Cleveland, Pittsburgh, and Detroit, registered increases for the week.

September gold production in the United States reached 271,000 fine ounces, according to the American Bureau of Metal Statistics. This was nearly 50% above August, and places the United States next to South Africa in gold production, displacing Canada.

Commodities Fluctuate

The response of commodity markets to the gold policy pursued by the federal government was at first strongly upward. Then a period of uncertainty developed which tended to erase some of the gains. Wheat and other grains bore the brunt of the declines. On Oct. 24, December futures commanded 89⅛¢ a bu. at the close of the day. By Oct. 31, this had dropped to 86¢. December corn in the same period fell from 48¼¢ a bu. to 43¢. Cotton, rubber, wool tops, and silk failed to hold the gains of earlier weeks. On the other hand, cocoa, coffee, hides, and tin managed to improve their quotations. Non-ferrous metal markets were steady. Retail food prices surveyed Oct. 10 indicated a slight decline from the Sept. 26 report. Fear that the consumer would find retail prices advancing too rapidly is thus allayed, at least for the time being.

The Financial Markets

Uncertainty besets the money market. Domestic price of gold moves higher but commodities and securities do not respond. Price-fixing of wheat and cotton presages vigorous attack on commodity prices.

Money

WHILE the money market was floundering in a sea of uncertainty and confusion over the Administration's gold policy, evidences of the recuperative power of industry continued to appear. Industrial activity is maintaining its even tempo; the public works program is beginning to get under way, but as yet does not show up in steel production; other industrial indices are leveling out. On top of all this, comes the earnings report from Standard Statistics which shows that 89 industrial corporations aggregated earnings during the third quarter exactly elevenfold over the same 3 months of 1932. The third quarter report of the U. S. Steel Co. was the best in more than 2 years, showing a net loss of $2.7 millions against a loss of $8.6 millions in the same quarter last year.

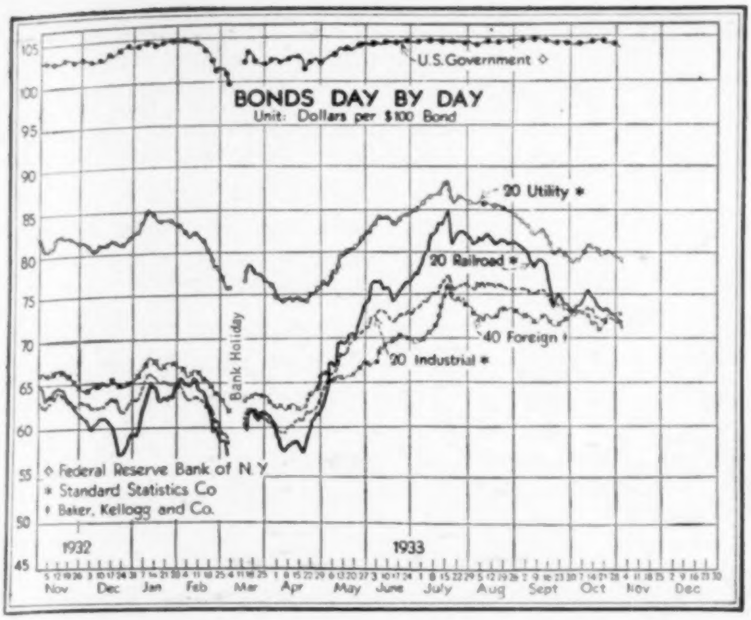
Potential support for recovery is revealed in the excess reserves of member banks, which now total well over $850 millions. This is a situation to be conjured with. These excess reserves are built up only in small part from return of hoarded money, and largely by the open market purchases of the Federal Reserve banks. Buying of United States government bonds by the Federal Reserve banks in recent weeks has been at the rate of $25 millions rather than at the rate of $35 millions of last summer and early fall. From the standpoint of increasing reserves, it makes very little difference whether the seller of these securities to the Federal Reserve banks is a private individual, a corporation, or the member banks themselves. In the case of individuals and corporations, the proceeds from the sale are deposited in the bank which in turn uses such deposits for reserve purposes. In case a bank sells these government bonds to the Federal Reserve banks, its reserve account is simply credited with the amount of the sale. The member banks receive no interest on any reserves. They are required to maintain a reserve against deposits, but excess reserves yield nothing, are a total loss. If we assume that the excess reserves could be loaned out, say at 3%, it is obvious that the banking system of the country is taking an annual loss of over $25 millions in income. It is this pressure on the banks which it is hoped will ultimately bring about a loosening of credit.

When in the spring of 1932 the Federal Reserve banks started open market purchases at the rate of $100 millions a week, thereby bringing excess reserves to a figure of about $300 millions, member banks succumbed to the pressure and, in August, 1932, cautiously entered the bond market. The consequence was almost a boom in bonds to which stocks sensitively responded. The much higher figure of excess reserves at the present time forms a potential reservoir of credit should the bankers ever tire of mere liquidity and develop a yearning for earnings.

The condition statement of weekly reporting banks in 90 leading cities continues to show a drop in loans and investments, which now are back to the July level. The banks obviously are as yet not disposed to loosen them up.

On the other hand, credit continues to be extended by the RFC. September advances authorized totaled $95 millions. The government's October extensions are partly revealed in the Oct. 31 Treasury statement which shows expenditures for Federal Emergency Administration of $26 millions, for the AAA $12½ millions, for the Conservation Corps $23 millions. The total emergency expenditures for October were $98.7 millions.

The decline of the dollar in terms of gold is obvious when we examine recent buying prices of gold. The statutory price is $20.67 an ounce, but the first price announced by the RFC was $31.36, and now it has risen to $32.12. These figures would indicate a decline in the gold content of over 39%. On the foreign exchanges, the gold value of the dollar has receded to 66¢. It must be remembered that, although the government has announced that it will buy or sell gold on the foreign markets, no such transactions had taken



place up to midweek. This explains why the dollar in terms of domestic gold is so sharply out of line with the exchange value of gold currencies. Before the RFC started to buy gold the Treasury had been purchasing gold. From Sept. 8, when Treasury purchases started, to Oct. 24, when they ended, the price of gold ranged from $29.00 to $32.28. The RFC started its buying at a price $1.66 an ounce above the Treasury's price and 27¢ above the world price. Daily thereafter, slightly higher prices were posted, always above the foreign market. Until United States gold purchases in foreign markets become effective it is difficult to appraise the situation. The best way to describe the movement of the dollar is to say that it moved down with respect to gold and alternately up against sterling and then down with sterling during the week.

The commodity markets after the first spurt following the President's announcement, have been uncertain. December wheat has been as high as 89¢ and as low as 86¢. December cotton has been as high as 9.70¢ and as low as 9.44¢.

Stocks

THOUGH stocks on the whole tended to move downward, the volume of trading was so small and the market was so professional that it is scarcely an accurate indication of the confidence of the public in present security prices. It would be much more accurate to say that the public is remaining on the sidelines while speculators continue indecisive.

It is significant that many of the more conservative financial services are cautiously recommending modest acquisition of common stocks—this in spite of the confusion over the price-fixing plan on gold. Observant traders are not overlooking the fact that the government, by fixing loan values on wheat and cotton well above the market price, has virtually fixed prices in these commodities. This supports the price-raising program of the Administration. Hence stocks are being favored for acquisition where corporations hold large inventories. Recent earnings statements plus continued business activity in October should also prove support for security prices.

Bonds

HIGH-GRADE bonds have shown pronounced weakness. This was to be expected in consequence of the monetary uncertainty. On the other hand, secondary securities have been moving with stocks, but here again the volume has been so small as to give no adequate measure of the public's attitude. It has been remarked that, in face of the general uneasiness, indecision, and confusion, the security markets have been surprisingly strong. Utility, rail, and industrial bonds lost ground, but foreign bonds moved upwards although not nearly as rapidly as the decline in exchange would have indicated. The upward movement of foreign bonds, it must be remembered, is not the consequence of greater confidence in these bonds, but because the downward movement of the dollar on foreign exchanges virtually cancels in their own currencies a large portion of the dollar debt which they represent.

BUSINESS WEEK
The Journal of Business News and Interpretation

NOVEMBER 4, 1933

On Keeping Shirts On

BUSINESS and financial morale has deteriorated rapidly since the President's recent radio talk.

The agrarian group did not hammer the President harder for a declaration on money than did the financial group. Anything, said Wall Street, was better than letting the dollar drift. Anything was better than uncertainty. Yet nervousness has increased rather than decreased since a definite policy was announced.

This attack of nerves has spread beyond financial circles. It has been the signal for releasing all the pent-up criticism that had been accumulating—against financial policy, against the bank program, against NRA, the progress of the farm program and the public works program, the Securities Act. This is building up what looks like the beginning of a first-rate case of business jitters.

It is hard to reason men out of a funk, but let's talk it over.

First, the gold policy. There are various things to be said for it without entering at all into a discussion of the merits of its underlying theory. First, it does take command of the exchange situation. The choice, be it remembered, was not whether the dollar should be managed or not, but whether we or somebody else should manage it. Next, there is nothing irrevocable about it; the policy can readily be abandoned or reversed if it doesn't work. It somewhat resembles British procedure which has been reasonably successful—for the British—and may well be either a complement to British policy or effective rejoinder to it, as the course of events may dictate. It is an experiment that deserves to be tried, and just now it can be tried with a minimum of risk.

Finally, it is absurd to judge its merits or defects on the basis of a few days' operation.

As to Roosevelt's hint of a dollar that eventually shall have stable purchasing power, a managed currency—well, all currencies have been more or less managed ever since central banking began; stable money is something much to be desired. Conservatives say it is desirable, but Utopian. Be that as it may, it is a long way off; it is nothing to affect next month's business, probably not next year's.

Criticism of other phases of the Administration program has been astonishingly slow in developing. An active opposition is healthy and wholesome. To the extent that any Administration's program cannot stand criticism, it needs overhauling. Criticism corrects weaknesses, spurs efficiencies, curbs abuses.

Jaundiced partisan attacks aside, there are legitimate criticisms of the Administration and its progress. When was this not so, at any crucial period? No doubt we might have come along further since March in several directions. But we have come a long way. Just look back.

Factory employment has increased 34% since March. Wholesale prices are 18% higher; farm products 34% above the spring low. Check transactions outside New York run 15% ahead of April. And our index of business activity is 26% above the mid-March level.

To us, it seems recent news has been preponderantly encouraging. Important labor troubles have been adjusted. Earnings statements are improved. Farm unrest has quieted somewhat. The rail price dispute is ended. Russian recognition moves nearer.

America is impatient. Russia plans progress in terms of 5 years. Germany has a 4-year program. We get jittery when 8 months' progress fails to overcome 4 years of depression.

Let's keep our shirts on.

Published weekly by the McGraw-Hill Publishing Company, Inc. 330 West 42nd St., New York City. Tel. MEdallion 3-0700. Price 20¢. Subscription: $5.00 a year, U. S. A. and possessions. Foreign $7.50. Cable code, Mcgrawhill
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